

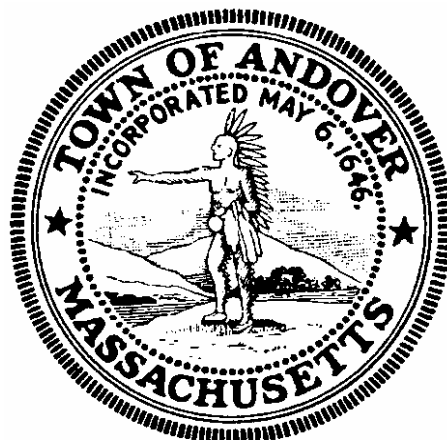
TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Robert Dennis

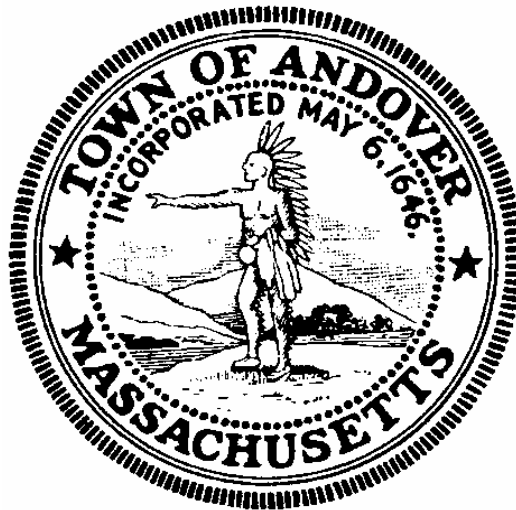
For the Fiscal Year Ended June 30, 2005



TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2005



Prepared by:

Rodney Smith, Town Accountant

TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2005

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Introductory Section

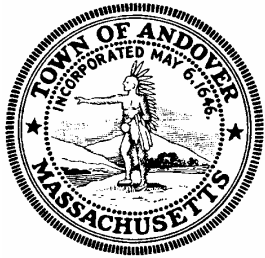


Water Recreation at Pomps Pond



Introductory Section

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Town of Andover

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Andover, Massachusetts 01810
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Letter of Transmittal

October 7, 2005

To Members of the Board of Selectmen and Citizens of the Town of Andover:

At the close of each fiscal year, state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the fiscal year ending June 30, 2005 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Andover's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Andover's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Andover was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Andover's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The Town of Andover's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Andover is located in Essex County in the northeastern part of Massachusetts, approximately 23 miles north of Boston. Located on the banks of the Merrimack River, Andover is bordered on the north by the cities of Lawrence and Methuen, on the east by the town of North Andover, on the south by the towns of North Reading and Wilmington, and on the west by the towns of Tewksbury and Dracut. Andover has approximately 32 square miles of land area, and 223 miles of roadways.

Andover is bisected by two major highway systems, Routes 93 and 495, and a number of secondary roadways including Routes 28, 133, 114 and 125. Public transportation is available via two commuter rail service stations from Andover to the metropolitan Boston area provided by the Massachusetts Bay Transportation Authority, and a regional bus service provided by the Merrimack Valley Transit Authority.

Andover was originally settled in 1636 under the native-American name of Cochichawicke, a local waterway. The community was incorporated in 1646 as the Town of Andover, named after a town in England where many of its settlers had come from.

From the earliest days of the town, manufacturing has played a major part in its development. The region's first powder mill was established in 1775; the manufacture of paper began in 1789; and in the early nineteenth century, several woolen mills prospered. While all of these early forms of manufacturing have since moved away, Andover continues to attract major modern industries.

Andover is known for its forward thinking government, committed to quality, responsiveness, and service. The Town's governing charter was enacted by the Legislature in 1956, and amended in 1974. The Charter authorizes an open town meeting-board of selectmen-town manager form of government. The Town is overseen by an elected five-member Board of Selectmen, and is administered by an appointed professional Town Manager, who also oversees approximately 20 departments and divisions. Andover's public schools are overseen by an elected five-member School Committee, and administered by an appointed professional Superintendent. There are also various appointed boards and committees which have specific responsibilities concerning various aspects of town governance. Town Meeting, which is generally unique to New England, serves as Andover's legislative body. It offers all registered voters of the community the opportunity to participate in the major decisions of the Town. Town Meeting is facilitated by an elected Town Moderator, who is responsible for appointing a nine-member Finance Committee, which in turn is responsible for advising Town Meeting on all matters brought before it.

The Town provides a full array of high-quality services to the general public, including: full-time police and fire protection; schools for grades kindergarten through 12 (one early childhood, five elementary, three middle, one senior high, and one regional vocational technical high school); solid waste disposal and recycling; street maintenance and snow removal; public health and natural resource protection; community development and planning; elder, youth and veterans services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, purification, and distribution system; and provides sanitary waste disposal via connections to a regional treatment facility. During the summer months the Town operates Pomp's Pond, a family and youth oriented recreation area located off Abbott Street, which includes recreational and instructional swimming; shaded picnic tables; boat rentals; volleyball; and a children's playground. The Town of Andover is committed to a high degree of community responsiveness; providing high quality services to its citizens, and conducting all of its affairs in a professional manner.

The Town Manager is responsible for preparing and presenting the budget to the Board of Selectmen. The Selectmen review all requests and Town wide issues and present a budget to Town Meeting for approval. A nine member Finance Committee reviews the budget and makes recommendations to Town Meeting.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. These controls ensure compliance with the budget approved by Town Meeting.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Andover operates.

Local economy. Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail-line, and proximity to international airports in Boston and Manchester, Andover is a true business “cross roads.” The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed use commercial areas. Andover is a highly sought after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, biotech, and medical products. Andover’s ten largest commercial/industrial employers are Raytheon, Philips Electronics, Wyeth BioPharma, Putnam Investments, Vicor, Verizon, Compaq, Gillette, Smith-Nephew, and Converse Network Systems. There are approximately 259 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$6.4 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates, averaging 9.7% annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

Long-term financial planning. The Town of Andover has a proud history of maintaining a solid financial position in all economies, as indicated by its continued “Aaa” bond rating. The Town’s financial actions are generally guided by a number of formal financial policies including long range planning tools such as a five-year forecast, a five-year Capital Improvement Program; prioritizing spending plans and identifying discretionary spending; pay-as-you go financing strategies; long-term planning for all liabilities including pension and insurance reserves, and municipal best practices, which are reviewed annually at the beginning of each budget development cycle.

Given a number of years of reduced state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the raising rate of employee healthcare costs. The Town has also been able to maintain a significant level of reserve capacity during these challenging years.

The Town is currently managing approximately \$104 million worth of long and short-term debt. This indebtedness consists of approximately \$94 million of general obligation bonds and \$9 million of short term notes outstanding. Approximately \$39 million or 41% of the \$94 million is scheduled to be paid by the end of fiscal 2009 and the remaining \$55 million by fiscal 2025. Approximately \$30 million is self-supporting through enterprise fund revenues. Also, the Commonwealth will be reimbursing the Town approximately \$22 million of the General Obligation Bonds through a program to assist the communities in the building of new school facilities.

The Town has authorized and unissued debt for land acquisition, landfill closure, school construction, water and sewer infrastructure and other various projects totaling \$32 million as of June 30, 2005.

The Town of Andover has enhanced its revenue flexibility by establishing enterprise funds and many other user supported programs. This has allowed the Town to shift the operating costs to the users of certain services so that little or no tax support goes towards providing these services. By doing so, the Town is able to provide the maximum tax dollars available to all other services.

Cash management policies and practices. The Town of Andover issues property tax bills quarterly and derives approximately 65% of annual General Fund revenue from this source. The quarterly billings result in a cyclical buildup and then spend down of operational cash reserves. Every effort is made to put our reserves to work. For the past 24 months, this has been a challenging proposition due to the historically low rate of return for most traditional investment vehicles. Most permissible investments are influenced by this rate. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

On a daily basis, the Treasurer transfers excess funds out of all depository accounts into a collateralized repurchase account with Century Bank. Surpluses are transferred to various banks to obtain the highest competitive return. The Treasurer is responsible for having on hand adequate cash to pay bills and fund payroll on a weekly basis. Requirements as such, including legal investment constraints, limit the Treasurer's ability to invest longer term. In today's earnings environment, short-term earnings are modest.

The Treasurer must continually evaluate cash flow data to determine that amount of money that can be invested for a longer term, thus yielding a higher return. The Treasurer operates on an aggregate cash basis and invests in the same fashion. This means that the Treasurer does not make separate investments linked to fund balances maintained on the general ledger but invests on the basis of estimated aggregate cash surpluses and the availability of those surpluses. Currently, the maturities of the various investments range from 30 days to one year with an average maturity of approximately three months.

While maintaining a highly diversified investment portfolio, the Treasurer also aims to maintain competitive investment relationships with numerous banks and other financial institutions. Since short-term rates fluctuate frequently amongst these institutions, the Treasurer has arranged to be notified automatically whenever a rate change occurs.

A financial institution's Trust Division manages the Town's trust funds. Each trust fund has a distinct purpose and, therefore, the mix of holdings in cash, fixed income securities and equities will vary by fund. The amount of annual income required and the timing of disbursements generally governs this mix.

Risk management. The Town of Andover manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Health care and workers compensation are a combination of self-insured and premium based plans. The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and unemployment compensation claims. Buildings and property are fully insured against fire, theft and natural disaster to the extent that losses exceed the Town's deductible per incident. These deductibles vary by type of incident, none of which exceed \$25,000.

Pension and other post-employment benefits. The Town of Andover contributes to the Andover Contributory Retirement System (the System), a cost sharing, defined benefit pension plan administered by the Andover Contributory Retirement Board. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System has succeeded in funding 78% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 19 years as part of the annual required contribution calculated by the actuary.

The Town of Andover also provides post retirement health care benefits for certain retirees and their dependents. There were 332 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. For Fiscal 2009 the Town will have to conduct an actuarial valuation to determine this unfunded liability and begin to recognize the annual cost of reducing this liability in addition to the current year benefits.

Additional information on the Town of Andover's pension and post employment benefits can be found in the notes to the financial statements.

Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the first year that the Town submitted a CAFR to the GFOA. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance and Accounting department staffs. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen and Town Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover's finances. And special thanks to Steven Bucuzzo, Assistant Town Manager, Anthony Torrisi, Finance and Budget Director, David Reilly, Town Treasurer, and Theo Moccia, Assistant Town Accountant.

Respectfully submitted,



Reginald S. Stapczynski
Town Manager



Rodney P. Smith
Town Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Andover,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



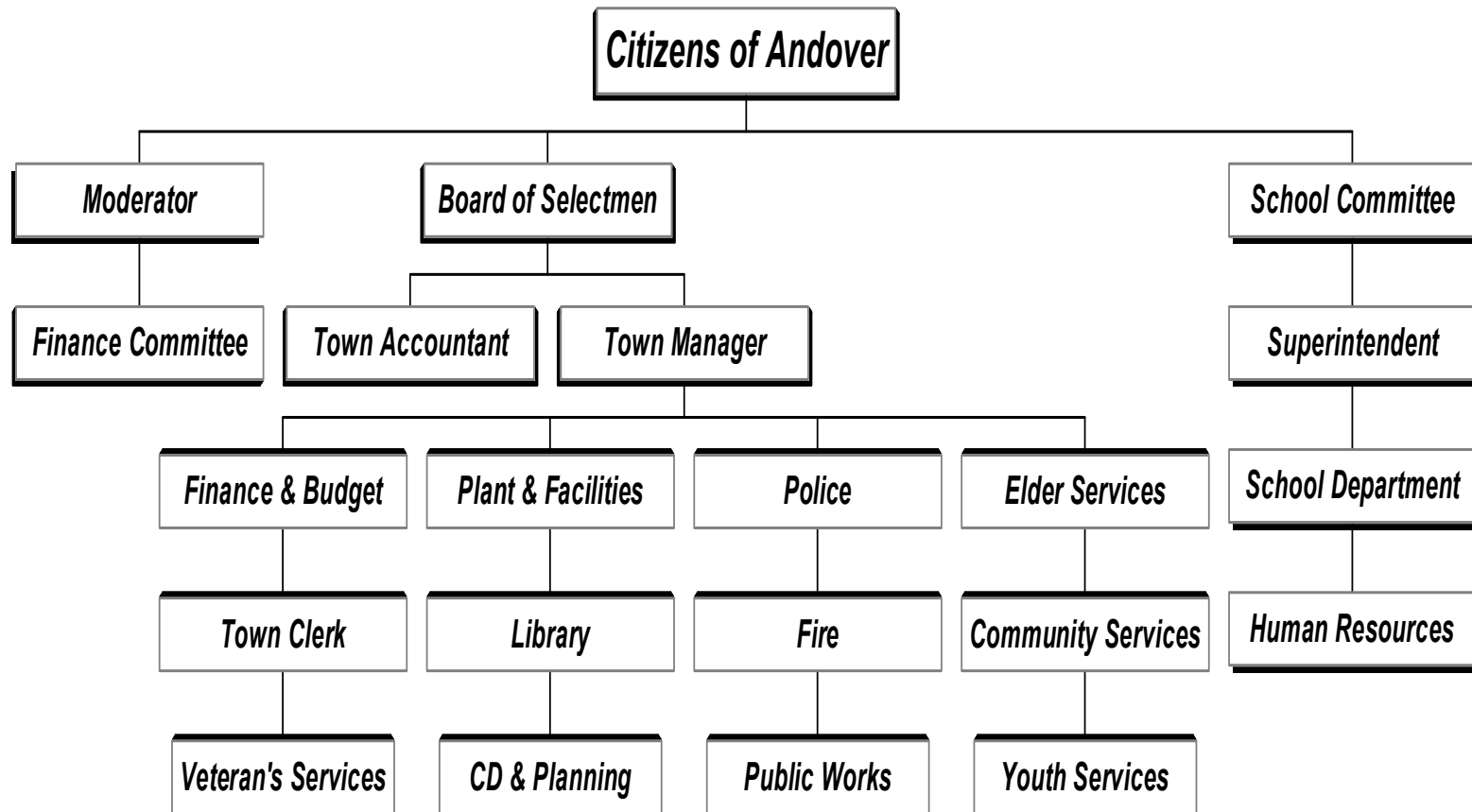
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

Organizational Chart



Principal Town Officials

Elected Officials

Board of Selectmen

Ted E. Teichert, Chairman
Brian P. Major
John P. Hess
Mary K. Lyman
Alex J. Vispoli

Town Moderator

James D. Doherty

School Committee

Debra Rahmin Silberstein, Chair
Anthony H. James
Arthur H. Barber
Richard J. Collins
David S. Samuels

Appointed Officials

Town Manager
Assistant Town Manager
Town Accountant
Finance Director
Treasurer
Town Assessor
Town Clerk
Fire Chief
Police Chief
Human Resources Director
Library Director
Plant & Facilities Director
Public Works Director

Reginald S. Stapczynski
Steven S. Bucuzzo
Rodney P. Smith
Anthony J. Torrisi
David J. Reilly
Bruce A. Symmes
Randall L. Hanson
Charles H. Murnane, Jr.
Brian J. Pattullo
Candace Hall-Nourse
James E. Sutton
Joseph R. Piantedosi
John A. Petkus, Jr.

Financial Section



Shawsheen River



Financial Section

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Andover, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of and for the fiscal year ended June 30, 2005 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2004), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Andover, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of June 30, 2005 (except for the Andover Contributory Retirement System which is as of December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Andover, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script, reading "Bowers + Sullivan".

October 7, 2005

Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town of Andover exceeded its liabilities at the close of the most recent fiscal year by \$164.7 million (net assets).
- Of this amount, 14% or \$23.1 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$9.2 million, a decrease of \$1.6 million in comparison with the prior year. Total fund balance represents 7% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$11.6 million during the current fiscal year. This was the net effect of \$36.7 million in principal payments on debt and the issuance of \$25.1 million in debt for school construction projects, building renovations, land acquisition and development, and infrastructure improvements.
- The Massachusetts School Building Authority (MSBA) is committed to providing assistance in the form of a capital grant equal to 60% of approved cost related to the Town's school construction projects through its school building assistance program. In addition to the annual assistance received to match debt service outflows, the Town received a \$15 million capital grant to pay down school construction notes in fiscal 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Andover's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, plant and facilities, community development, community services, library, interest and state and county charges. The business-type activities include the activities of water and sewer services.

The government-wide financial statements include not only the Town of Andover itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Andover is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Andover adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of propriety funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Andover's assets exceeded liabilities by \$164.7 million at the close of Fiscal 2005 an increase of \$2.2 million from the prior year.

Net assets of \$137.2 million (83%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net assets \$4.4 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$23.1 million (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well its separate governmental and business-type activities.

The governmental activity and business-type activity components of the Town are presented below.

Governmental Activities

The Town of Andover's assets exceeded liabilities for governmental activities by \$105.4 million at the close of Fiscal 2005.

	Governmental Activities	
	FY05	FY04
Assets:		
Current assets.....	\$ 34,899,702	\$ 51,286,709
Noncurrent assets (excluding capital).....	18,292,605	19,772,162
Capital assets.....	128,908,275	129,531,607
Total assets.....	182,100,582	200,590,478
Liabilities:		
Current liabilities (excluding debt).....	5,420,839	6,321,642
Noncurrent liabilities (excluding debt).....	6,447,000	5,728,000
Current debt.....	13,003,935	29,082,107
Noncurrent debt.....	51,782,966	53,789,696
Total liabilities.....	76,654,740	94,921,445
Net Assets:		
Invested in capital assets, net of related debt.....	91,145,822	89,679,889
Restricted.....	4,426,387	3,638,030
Unrestricted.....	9,873,633	12,351,114
Total net assets.....	\$ 105,445,842	\$ 105,669,033

	Governmental Activities	
	FY05	FY04
Program revenues:		
Charges for services.....	\$ 10,486,676	\$ 8,466,748
Operating grants and contributions.....	18,316,439	15,988,620
Capital grants and contributions.....	813,166	18,822,970
General Revenues:		
Real estate and personal property taxes.....	80,128,940	78,018,623
Motor vehicle and other excise taxes.....	5,472,241	5,159,554
Nonrestricted grants.....	1,857,933	1,704,378
Unrestricted investment income.....	493,590	369,542
Other revenues.....	579,944	823,050
Total revenues.....	118,148,929	129,353,485
Expenses:		
General Government.....	4,173,335	4,470,303
Public Safety.....	17,246,901	16,675,121
Education.....	71,312,657	66,088,775
Public Works.....	9,038,654	7,768,193
Plant and facilities.....	5,663,229	6,595,195
Community development.....	1,766,512	1,786,677
Human Services.....	2,695,721	2,693,214
Library.....	3,326,096	3,447,297
Interest.....	3,028,040	2,953,651
State and county charges.....	1,599,527	1,370,609
Total expenses.....	119,850,672	113,849,035
Excess (Deficiency) before transfers.....	(1,701,743)	15,504,450
Transfers.....	1,478,552	1,125,049
Change in net assets.....	\$ (223,191)	\$ 16,629,499

The governmental expenses totaled \$119.8 million of which \$29.6 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$88.5 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net assets decreased by \$223,000 during the current fiscal year which is primarily due to the use of free cash to balance the general fund operating budget, a surplus in the non-major funds and the recognition of a receivable from the Commonwealth of Massachusetts for reimbursement of construction period interest paid on approved school construction projects.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$59.3 million at the close of Fiscal 2005.

	Business-type Activities	
	FY05	FY04
Assets:		
Current assets.....	\$ 16,550,429	\$ 14,488,706
Noncurrent assets (excluding capital).....	6,092,309	4,078,318
Capital assets.....	78,728,099	72,587,212
Total assets.....	101,370,837	91,154,236
Liabilities:		
Current liabilities (excluding debt).....	2,716,822	1,362,085
Noncurrent liabilities (excluding debt).....	261,000	235,000
Current debt.....	12,029,066	5,345,892
Noncurrent debt.....	27,072,035	27,295,306
Total liabilities.....	42,078,923	34,238,283
Net Assets:		
Invested in capital assets, net of related debt.....	46,027,798	46,387,305
Unrestricted.....	13,264,116	10,528,648
Total net assets.....	\$ 59,291,914	\$ 56,915,953

	Business-type Activities	
	FY05	FY04
Program revenues:		
Charges for services.....	\$ 12,421,234	\$ 10,007,596
Capital grants and contributions.....	85,272	21,495
General Revenues:		
Unrestricted investment income.....	45,977	54,871
Total revenues.....	12,552,483	10,083,962
Expenses:		
Water.....	5,279,568	5,180,484
Sewer.....	3,418,402	3,114,483
Total expenses.....	8,697,970	8,294,967
Excess (Deficiency) before transfers.....	3,854,513	1,788,995
Transfers.....	(1,478,552)	(1,125,049)
Change in net assets.....	\$ 2,375,961	\$ 663,946

Business-type net assets of \$46 million (78%) represent the investment in capital assets while \$13.3 million (22%) is unrestricted. The Town's business-type net assets increased by \$2.4 million in the current fiscal year.

The sewer department experienced a net increase of \$2.8 million in net assets. Charges for services increased by 5% while cost of services and administration increased by 3%. The increase in net assets is primarily due to sewer special assessments.

At the same time, the water department operations net assets decreased \$462,000. Both charges for services and cost of services and administration increased by 9% and 1%, respectively.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$20 million, of which \$9.2 million is for the general fund and \$10.8 million is for Nonmajor governmental funds. Cumulatively there was a decrease of \$911,000 in fund balances from the prior year. The General Fund had a decrease of \$1.6 million that primarily resulted from the use of free cash to balance the fiscal 2005 operating budget. The nonmajor funds experienced an increase of \$684,000 which is primarily due to other financing sources exceeding expenditures in the capital projects funds.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.8 million, while total fund balance was \$9.2 million. Reservation of Fund Balance for Encumbrances and Continuing Appropriations totaled \$1.4 million; \$876,000 was designated for amounts voted to be used in fiscal 2006 and \$3.1 million for Joint Ventures relating to the Town's participation in the Northeast Solid Waste Committee. Unreserved fund balance represents 3% of total general fund expenditures, while total fund balance represents 7% of that same amount.

General Fund Budgetary Highlights

The \$791,000 increase between the original budget and the final amended budget was primarily due to \$635,000 of transfers to the employee compensation fund, cemetery perpetual care fund and the capital projects fund. In addition, \$94,000 was appropriated for workers' compensation claims. Actual real estate and personal property tax revenues were \$860,000 less than the final budget and is expected to be collected in fiscal 2006. All other actual revenues exceeded budget by \$1.8 million due to significant permit revenues combined with conservative budgeting.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures. The Town of Andover maintains an Aaa Bond Rating with Moody's Investors Service. The Town continues to maintain strong market access for both note and bond sales.

In order to take advantage of favorable interest rates the Town issued \$9,370,000 of General Obligation Refunding Bonds during fiscal year 2005. \$9,230,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$262,819. This advance refunding was undertaken to reduce total debt service payments over a 13 year period by \$763,760 and resulted in an economic gain of \$546,359. At June 30, 2005, approximately \$9,230,000 of bonds outstanding from the advance refunding is considered defeased.

Outstanding long-term debt of the general government, as of June 30, 2005, totaled \$64.3 million, of which \$44.2 is related to school projects and \$11.2 million is for public safety projects, leaving a balance of \$8.9 million for other CIP related projects. The Town issued \$3.5 million of long-term bonds payable to fund the purchase of a fire truck, the purchase of conservation land, and construction of a retaining wall.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. One form of the grants is paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2005 the Town is scheduled to receive \$3.5 million of future interest grants and \$18.7 million of capital grants. The payment schedule by the Commonwealth is structured to match the debt service expenditures.

In fiscal 2004, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Accordingly, the Town of Andover will now receive a lump-sum payment for the state share of school construction costs. The Town has recorded a receivable totaling approximately \$3,860,000, after receiving \$15 million in FY2005, which is equal to the Commonwealth's share of approved construction costs totaling approximately \$18,012,000 and construction period interest totaling approximately \$848,000 incurred through June 30, 2005.

The Town has \$475,000 in governmental and \$9.3 million in enterprise bond anticipation notes outstanding at year-end that are due on December 10, 2005 with interest rates ranging from 2.04% to 3.50%.

The Town issued \$2.1 million and \$2.7 million of long-term bonds payable for sewer and water construction projects in fiscal 2005. The sewer and water enterprise funds have \$8.7 million and \$21.1 million, respectively of outstanding long-term debt at year-end that is fully supported by rates and does not rely on a general fund subsidy.

Major capital events during the current fiscal year include the following:

- For governmental activities, land improvements, building improvements and building construction were completed totaling approximately \$4.8 million.
- Sewer and water infrastructure additions totaling approximately \$8.7 million were completed in fiscal 2005.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Andover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Offices, 36 Bartlet Street, Andover, Massachusetts 01810.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 15,032,552	\$ 11,776,663	\$ 26,809,215
Investments.....	6,108,279	7,189	6,115,468
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,370,579	-	1,370,579
Tax liens.....	470,108	-	470,108
Motor vehicle and other excise taxes.....	684,043	-	684,043
User fees.....	-	4,733,977	4,733,977
Departmental and other.....	395,275	-	395,275
Special assessments.....	-	17,152	17,152
Intergovernmental.....	7,076,435	-	7,076,435
Tax foreclosures.....	224,476	-	224,476
Investment in joint venture.....	3,069,000	-	3,069,000
Working capital deposit.....	292,900	-	292,900
Deferred charges on refunding.....	176,055	15,448	191,503
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	67,074	-	67,074
Intergovernmental.....	17,380,000	-	17,380,000
Special assessments.....	-	6,018,116	6,018,116
Deferred charges on refunding.....	845,531	74,193	919,724
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	24,180,711	3,964,019	28,144,730
Depreciable.....	104,727,564	74,764,080	179,491,644
TOTAL ASSETS.....	182,100,582	101,370,837	283,471,419
LIABILITIES			
CURRENT:			
Warrants payable.....	1,062,328	2,422,475	3,484,803
Accrued payroll.....	2,023,092	8,038	2,031,130
Health claims payable.....	206,000	-	206,000
Tax refunds payable.....	135,090	-	135,090
Accrued interest.....	333,711	159,296	493,007
Other liabilities.....	366,618	7,013	373,631
Compensated absences.....	1,132,000	120,000	1,252,000
Workers' compensation.....	162,000	-	162,000
Bonds and notes payable.....	13,003,935	12,029,066	25,033,001
NONCURRENT:			
Compensated absences.....	3,120,000	261,000	3,381,000
Workers' compensation.....	247,000	-	247,000
Landfill closure.....	3,080,000	-	3,080,000
Bonds and notes payable.....	51,782,966	27,072,035	78,855,001
TOTAL LIABILITIES.....	76,654,740	42,078,923	118,733,663
NET ASSETS			
Invested in capital assets, net of related debt.....	91,145,822	46,027,798	137,173,620
Restricted for:			
Permanent funds:			
Expendable.....	210,462	-	210,462
Nonexpendable.....	1,246,997	-	1,246,997
Grants and gifts.....	2,968,928	-	2,968,928
Unrestricted.....	9,873,633	13,264,116	23,137,749
TOTAL NET ASSETS.....	\$ 105,445,842	\$ 59,291,914	\$ 164,737,756

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 4,173,335	\$ 766,380	\$ 82,705	\$ -	\$ (3,324,250)	
Public safety.....	17,246,901	5,047,096	492,630	-	(11,707,175)	
Education.....	71,312,657	3,221,619	15,189,853	211,662	(52,689,523)	
Public works.....	9,038,654	103,874	322,218	601,504	(8,011,058)	
Water.....	-	-	-	-	-	
Sewer.....	-	-	-	-	-	
MWRA assessment.....	-	-	-	-	-	
Plant and facilities.....	5,663,229	-	113,544	-	(5,549,685)	
Property and natural resources.....	-	-	-	-	-	
Community development.....	1,766,512	-	-	-	(1,766,512)	
Community services.....	2,695,721	1,293,865	201,820	-	(1,200,036)	
Library.....	3,326,096	53,842	379,851	-	(2,892,403)	
Culture and recreation.....	-	-	-	-	-	
Pension benefits.....	-	-	-	-	-	
Property and liability insurance.....	-	-	-	-	-	
Employee benefits.....	-	-	-	-	-	
Claims and judgments.....	-	-	-	-	-	
Capital outlay.....	-	-	-	-	-	
Interest.....	3,028,040	-	1,533,818	-	(1,494,222)	
State and county charges.....	1,599,527	-	-	-	(1,599,527)	
Other.....	-	-	-	-	-	
Total Governmental Activities.....	119,850,672	10,486,676	18,316,439	813,166	(90,234,391)	
Business-Type Activities:						
Water.....	5,279,568	5,948,163	-	-	668,595	
Sewer.....	3,418,402	6,473,071	-	85,272	3,139,941	
Total Business-Type Activities.....	8,697,970	12,421,234	-	85,272	3,808,536	
Total Primary Government.....	\$ 128,548,642	\$ 22,907,910	\$ 18,316,439	\$ 898,438	\$ (86,425,855)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(90,234,391)</u>	\$ <u>3,808,536</u>	\$ <u>(86,425,855)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	80,128,940	-	80,128,940
Tax liens.....	169,769	-	169,769
Motor vehicle excise taxes.....	4,695,077	-	4,695,077
Hotel/motel tax.....	777,164	-	777,164
Penalties and interest on taxes.....	335,008	-	335,008
Grants and contributions not restricted to specific programs.....	1,857,933	-	1,857,933
Unrestricted investment income.....	493,590	45,977	539,567
Miscellaneous.....	75,167	-	75,167
<i>Transfers, net</i>	<u>1,478,552</u>	<u>(1,478,552)</u>	<u>-</u>
Total general revenues and transfers.....	<u>90,011,200</u>	<u>(1,432,575)</u>	<u>88,578,625</u>
Change in net assets.....	(223,191)	2,375,961	2,152,770
<i>Net Assets:</i>			
Beginning of year.....	<u>105,669,033</u>	<u>56,915,953</u>	<u>162,584,986</u>
End of year.....	\$ <u><u>105,445,842</u></u>	\$ <u><u>59,291,914</u></u>	\$ <u><u>164,737,756</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2005

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 5,332,053	\$ 9,032,547	\$ 14,364,600
Investments.....	3,525,242	2,583,037	6,108,279
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,370,579	-	1,370,579
Real estate tax deferrals.....	67,074	-	67,074
Tax liens.....	470,108	-	470,108
Motor vehicle and other excise taxes.....	684,043	-	684,043
Departmental and other.....	393,287	1,988	395,275
Intergovernmental.....	22,517,703	1,938,732	24,456,435
Tax foreclosures.....	224,476	-	224,476
Investment in joint venture.....	3,069,000	-	3,069,000
TOTAL ASSETS.....	\$ 37,653,565	\$ 13,556,304	\$ 51,209,869
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 453,265	\$ 607,164	\$ 1,060,429
Accrued payroll.....	1,932,924	90,168	2,023,092
Tax refunds payable.....	135,090	-	135,090
Accrued interest on short-term debt.....	14,303	-	14,303
Other liabilities.....	366,618	-	366,618
Deferred revenues.....	25,567,273	1,542,469	27,109,742
Notes payable.....	-	475,000	475,000
TOTAL LIABILITIES.....	28,469,473	2,714,801	31,184,274
FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	1,436,861	-	1,436,861
Perpetual permanent funds.....	-	1,246,997	1,246,997
Unreserved:			
Designated for investment in joint venture.....	3,069,000	-	3,069,000
Designated for subsequent year's expenditures.....	876,000	-	876,000
Undesignated, reported in:			
General fund.....	3,802,231	-	3,802,231
Special revenue funds.....	-	5,864,877	5,864,877
Capital projects funds.....	-	3,519,167	3,519,167
Permanent funds.....	-	210,462	210,462
TOTAL FUND BALANCES.....	9,184,092	10,841,503	20,025,595
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 37,653,565	\$ 13,556,304	\$ 51,209,869

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

Total governmental fund balances.....	\$ 20,025,595
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	128,908,275
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	27,109,742
Internal service funds are used by management to account for unemployment, health insurance, workers' compensation and liability insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	343,953
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(319,408)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Bonds and notes payable..... (64,311,901) Landfill closure..... (3,080,000) Compensated absences..... <u>(4,252,000)</u>	
Net effect of reporting long-term liabilities.....	(71,643,901)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....	<u>1,021,586</u>
Net assets of governmental activities.....	<u>\$ 105,445,842</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 80,108,798	\$ -	\$ 80,108,798
Tax liens.....	378,564	-	378,564
Motor vehicle excise taxes.....	4,666,645	-	4,666,645
Hotel/motel tax.....	764,164	-	764,164
Penalties and interest on taxes.....	335,008	-	335,008
Licenses and permits.....	2,372,045	-	2,372,045
Intergovernmental.....	31,684,097	4,573,702	36,257,799
Departmental and other.....	2,394,985	5,685,926	8,080,911
Contributions.....	-	61,787	61,787
Investment income.....	387,505	50,240	437,745
TOTAL REVENUES.....	123,091,811	10,371,655	133,463,466
EXPENDITURES:			
Current:			
General government.....	3,149,332	161,674	3,311,006
Public safety.....	11,784,047	1,813,097	13,597,144
Education.....	48,552,607	5,795,021	54,347,628
Public works.....	5,651,659	1,204,600	6,856,259
Plant and facilities.....	4,544,106	63,986	4,608,092
Community development.....	1,330,236	89,180	1,419,416
Community services.....	1,555,650	631,285	2,186,935
Library.....	2,295,911	135,783	2,431,694
Pension benefits.....	10,594,568	-	10,594,568
Property and liability insurance.....	834,889	-	834,889
Employee benefits.....	8,463,109	269,537	8,732,646
State and county charges.....	1,599,527	-	1,599,527
Capital outlay.....	-	5,275,759	5,275,759
Debt service:			
Principal.....	20,744,107	-	20,744,107
Interest.....	2,957,220	-	2,957,220
TOTAL EXPENDITURES.....	124,056,968	15,439,922	139,496,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(965,157)	(5,068,267)	(6,033,424)
OTHER FINANCING SOURCES (USES):			
Issuance of bonds and notes.....	-	3,500,000	3,500,000
Issuance of refunding bonds.....	7,140,205	-	7,140,205
Premium from issuance of bonds.....	79,123	-	79,123
Premium from issuance of refunding bonds.....	158,596	-	158,596
Payments to refunded bond escrow agent.....	(7,233,797)	-	(7,233,797)
Transfers in.....	1,574,353	2,556,960	4,131,313
Transfers out.....	(2,347,603)	(305,158)	(2,652,761)
TOTAL OTHER FINANCING SOURCES (USES).....	(629,123)	5,751,802	5,122,679
NET CHANGE IN FUND BALANCES.....	(1,594,280)	683,535	(910,745)
FUND BALANCES AT BEGINNING OF YEAR.....	10,778,372	10,157,968	20,936,340
FUND BALANCES AT END OF YEAR.....	\$ 9,184,092	\$ 10,841,503	\$ 20,025,595

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds.....	\$	(910,745)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	4,883,711	
Depreciation expense.....	<u>(5,507,043)</u>	
Net effect of reporting capital assets.....		(623,332)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....

(15,392,927)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Issuance of bonds and notes.....	(3,500,000)	
Issuance of refunding bonds.....	(7,140,205)	
Payments to refunded bond escrow agent.....	7,233,797	
Debt service principal payments.....	20,744,107	
Amortization of issuance costs.....	(177,797)	
Amortization of premium on bonds and notes payable.....	180,638	
Amortization of deferred charge on refunding.....	<u>(169,544)</u>	
Net effect of reporting long-term debt.....		17,170,996

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(99,000)	
Net change in accrued interest on long-term debt.....	(81,913)	
Net change in landfill closure liability.....	<u>(440,000)</u>	
Net effect of recording long-term liabilities.....		(620,913)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		<u>153,730</u>
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Change in net assets of governmental activities.....	\$	<u>(223,191)</u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 5,013,675	\$ 6,762,988	\$ 11,776,663	\$ 667,952
Investments.....	7,189	-	7,189	-
Receivables, net of allowance for uncollectibles:				
User fees.....	1,774,210	2,959,767	4,733,977	-
Special assessments.....	17,152	-	17,152	-
Working capital deposit.....	-	-	-	292,900
Deferred charges on refunding.....	-	15,448	15,448	-
Total current assets.....	6,812,226	9,738,203	16,550,429	960,852
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	6,009,219	8,897	6,018,116	-
Deferred charges on refunding.....	-	74,193	74,193	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	115,130	3,848,889	3,964,019	-
Depreciable.....	39,820,715	34,943,365	74,764,080	-
Total noncurrent assets.....	45,945,064	38,875,344	84,820,408	-
TOTAL ASSETS.....	52,757,290	48,613,547	101,370,837	960,852
LIABILITIES				
CURRENT:				
Warrants payable.....	2,002,725	419,750	2,422,475	1,899
Accrued payroll.....	1,224	6,814	8,038	-
Health claims payable.....	-	-	-	206,000
Accrued interest.....	81,489	77,807	159,296	-
Other liabilities.....	7,013	-	7,013	-
Compensated absences.....	15,000	105,000	120,000	-
Workers' compensation.....	-	-	-	162,000
Bonds and notes payable.....	9,767,412	2,261,654	12,029,066	-
Total current liabilities.....	11,874,863	2,871,025	14,745,888	369,899
NONCURRENT:				
Compensated absences.....	46,000	215,000	261,000	-
Workers' compensation.....	-	-	-	247,000
Bonds and notes payable.....	19,595,134	7,476,901	27,072,035	-
Total noncurrent liabilities.....	19,641,134	7,691,901	27,333,035	247,000
TOTAL LIABILITIES.....	31,515,997	10,562,926	42,078,923	616,899
NET ASSETS				
Invested in capital assets, net of related debt.....	14,353,737	31,674,061	46,027,798	-
Unrestricted.....	6,887,556	6,376,560	13,264,116	343,953
TOTAL NET ASSETS.....	\$ 21,241,293	\$ 38,050,621	\$ 59,291,914	\$ 343,953

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES:				
Employee contributions	\$ -	\$ -	\$ -	\$ 2,820,221
Employer contributions	-	-	-	8,528,441
Charges for services	3,287,453	5,948,163	9,235,616	-
Special assessments.....	3,185,618	-	3,185,618	-
TOTAL OPERATING REVENUES	6,473,071	5,948,163	12,421,234	11,348,662
OPERATING EXPENSES:				
Cost of services and administration	1,612,244	3,282,660	4,894,904	-
Depreciation.....	942,489	1,574,612	2,517,101	-
Employee benefits	-	-	-	11,213,400
TOTAL OPERATING EXPENSES	2,554,733	4,857,272	7,412,005	11,213,400
OPERATING INCOME (LOSS).....	3,918,338	1,090,891	5,009,229	135,262
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	563	45,414	45,977	18,468
Interest expense.....	(863,669)	(422,296)	(1,285,965)	-
Intergovernmental subsidy.....	85,272	-	85,272	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(777,834)	(376,882)	(1,154,716)	18,468
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	3,140,504	714,009	3,854,513	153,730
OPERATING TRANSFERS:				
Transfers in.....	-	250,000	250,000	-
Transfers out.....	(302,417)	(1,426,135)	(1,728,552)	-
TOTAL OPERATING TRANSFERS.....	(302,417)	(1,176,135)	(1,478,552)	-
CHANGE IN NET ASSETS.....	2,838,087	(462,126)	2,375,961	153,730
NET ASSETS AT BEGINNING OF YEAR.....	18,403,206	38,512,747	56,915,953	190,223
NET ASSETS AT END OF YEAR.....	\$ 21,241,293	\$ 38,050,621	\$ 59,291,914	\$ 343,953

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 4,047,511	\$ 5,959,590	\$ 10,007,101	\$ 2,820,220
Receipts from interfund services provided.....	-	-	-	8,528,442
Payments to vendors.....	(1,219,509)	(1,505,525)	(2,725,034)	-
Payments to employees.....	(320,013)	(1,454,212)	(1,774,225)	(46,420)
Payments for interfund services used.....	-	-	-	(11,196,581)
NET CASH FROM OPERATING ACTIVITIES.....	2,507,989	2,999,853	5,507,842	105,661
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	250,000	250,000	-
Transfers out.....	(302,417)	(1,426,135)	(1,728,552)	-
Intergovernmental subsidy.....	85,272	-	85,272	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(217,145)	(1,176,135)	(1,393,280)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	10,250,000	1,500,000	11,750,000	-
Acquisition and construction of capital assets.....	(4,801,350)	(2,908,374)	(7,709,724)	-
Principal payments on bonds and notes.....	(3,605,000)	(1,740,892)	(5,345,892)	-
Interest expense.....	(833,542)	(344,923)	(1,178,465)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	1,010,108	(3,494,189)	(2,484,081)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	(7,189)	-	(7,189)	-
Investment income.....	563	45,414	45,977	18,468
NET CASH FROM INVESTING ACTIVITIES.....	(6,626)	45,414	38,788	18,468
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,294,326	(1,625,057)	1,669,269	124,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,719,349	8,388,045	10,107,394	543,823
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,013,675	\$ 6,762,988	\$ 11,776,663	\$ 667,952
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 3,918,338	\$ 1,090,891	\$ 5,009,229	\$ 135,262
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	942,489	1,574,612	2,517,101	-
Changes in assets and liabilities:				
User fees.....	(400,400)	9,868	(390,532)	-
Special assessments.....	(2,025,160)	1,559	(2,023,601)	-
Working capital deposit.....	-	-	-	83,500
Warrants payable.....	69,755	301,111	370,866	1,899
Accrued payroll.....	(2,279)	(10,188)	(12,467)	-
Health claims payable.....	-	-	-	(233,000)
Other liabilities.....	246	-	246	-
Accrued compensated absences.....	5,000	32,000	37,000	-
Workers' compensation.....	-	-	-	118,000
Total adjustments.....	(1,410,349)	1,908,962	498,613	(29,601)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,507,989	\$ 2,999,853	\$ 5,507,842	\$ 105,661

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,639,518	\$ 878,967	\$ 376,852
Investments:			
Government agencies.....	3,595,836	-	-
Corporate bonds.....	16,483,125	-	-
Government sponsored enterprises.....	7,642,625	302,835	17,835
PRIT real estate.....	4,736,189	-	-
Equity securities.....	43,309,212	-	-
Interest and dividends.....	397,151	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	134,628	-	-
TOTAL ASSETS.....	78,938,284	1,181,802	394,687
LIABILITIES			
Warrants payable.....	52,155	-	-
Liabilities due depositors.....	-	-	394,687
TOTAL LIABILITIES.....	52,155	-	394,687
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 78,886,129	\$ 1,181,802	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 3,591,737	\$ -
Plan members.....	2,557,646	-
Private donations.....	-	915
Total contributions.....	6,149,383	915
Net investment income (loss):		
Net change in fair value of investments.....	2,487,086	-
Interest.....	2,402,959	117,120
Total investment income (loss).....	4,890,045	117,120
Less: investment expense.....	(225,778)	-
Net investment income (loss).....	4,664,267	117,120
Intergovernmental.....	232,699	-
Transfers from other systems.....	247,187	-
TOTAL ADDITIONS.....	11,293,536	118,035
DEDUCTIONS:		
Administration.....	97,725	10,533
Transfers to other systems.....	211,600	-
Retirement benefits and refunds.....	5,720,724	-
Educational scholarships.....	-	21,143
TOTAL DEDUCTIONS.....	6,030,049	31,676
CHANGE IN NET ASSETS.....	5,263,487	86,359
NET ASSETS AT BEGINNING OF YEAR.....	73,622,642	1,095,443
NET ASSETS AT END OF YEAR.....	\$ 78,886,129	\$ 1,181,802

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Andover, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen (the Board).

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Andover Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Town Manager and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 36 Bartlet Street, Andover, Massachusetts 01810.

Availability of Financial Information for Joint Ventures

The Town is a member of the North East Solid Waste Committee (NESWC), a joint venture with 23 communities, organized to represent its members in all matters related to solid waste disposal at a regional waste-to-energy facility located in North Andover, Massachusetts. In accordance with a depository agreement NESWC was granted control over various funds received from contractual communities. As of July 2005, 100% of the remaining debt service was redeemed and no contingent liabilities related to the debt service exists for the member communities. NESWC's scheduled dissolution date is September 25, 2005, at which time any remaining equity balances will be returned to the respective member community. As of June 30, 2005, the Town's equity interest of \$3,069,000 in the operation of NESWC is recorded in the General Fund.

Complete financial statements for NESWC can be obtained by contacting their administrative offices at 67 South Bedford Street, Suite 201E, Burlington, Massachusetts 01803.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental fund is reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance, unemployment compensation, workers' compensation and general liability.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town accounts for contractor's security deposits, local church deposits and receipts and disbursements on behalf of the Merrimack Valley Library Consortium in this fund.

Government-Wide and Fund Financial Statements

For enterprise fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes, and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Tax liens may be subject to a foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, §50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties can then be sold through advertised public auction or held for use by the Town.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer User Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed in December of every year and included as

a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-50
Buildings.....	5-50
Machinery and equipment.....	3-20
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Investment in joint venture” represents the Town’s equity interest in the NESWC.

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2006 operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording its share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2005, this expenditure totaled approximately \$1,980,000. There were approximately 330 participants eligible to receive benefits at June 30, 2005.

The Commonwealth of Massachusetts administers a health insurance plan for all retired teachers of the Commonwealth. The cost of providing that benefit is assessed to each community annually. For the fiscal year ending June 30, 2005 this expense/expenditure amounted to \$1,267,033. The number of participants covered is not provided by the Commonwealth.

P. Fund Deficits

The Public Safety capital project fund had a deficit of \$69,000. This deficit will be funded with available fund balance and/or bond proceeds in future fiscal years.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Andover's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$26,021,286 and the bank balance totaled \$28,041,780. Of the bank balance, \$600,000 was covered by Federal Depository Insurance, and \$27,441,780 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2004, carrying amount of deposits for the Retirement System totaled \$35,281 and the bank balance totaled \$121,968. Of the bank balance, \$121,968 was covered by the Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$363,374 in Government Agencies, \$5,858,680 in Government Sponsored Enterprises and \$214,084 in equity securities the Town has a custodial credit risk exposure of \$6,436,138 because the related securities are uninsured, unregistered and held by the counterparty.

Of the Retirement System's investments of \$ 3,595,836 in Government Agencies, \$16,483,125 in corporate bonds, \$7,642,625 in Government Sponsored Enterprises and \$43,309,212 in equity securities. The Retirement System has custodial credit risk exposure of \$71,030,798 because the related securities are uninsured, unregistered and held by the counterparty. The system does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Town and the Retirement System do not have formal investment policies that limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

As of June 30, 2005, the Town of Andover had the following investments:

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10
Debt Securities:				
Government Agencies.....	\$ 363,374	\$ 313,997	\$ 49,377	\$ -
Government Sponsored Enterprises....	5,858,680	3,131,928	1,183,412	1,543,340
Total Debt Securities.....	6,222,054	\$ 3,445,925	\$ 1,232,789	\$ 1,543,340
Other Investments:				
Equity Securities.....	214,084			
Money Market Mutual Funds.....	44,932			
Equity Mutual Funds.....	841,258			
MMDT	1,157,558			
Total Investments.....	\$ 8,479,886			

As of December 31, 2004, the Retirement System had the following investments:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<u>Debt Securities:</u>					
Government Agencies.....	\$ 3,595,836	\$ -	\$ 491,523	\$ -	\$ 3,104,313
Corporate Bonds.....	16,483,125	305,839	8,725,009	4,412,478	3,039,799
Government Sponsored Enterprises....	<u>7,642,625</u>	<u>904,413</u>	<u>6,738,212</u>	-	-
Total Debt Securities.....	27,721,586	<u>\$ 1,210,252</u>	<u>\$ 15,954,744</u>	<u>\$ 4,412,478</u>	<u>\$ 6,144,112</u>
<u>Other Investments:</u>					
Money Market Mutual Funds.....	2,299,627				
MMDT.....	304,610				
PRIT Real Estate.....	4,736,189				
Equity Securities.....	<u>43,309,212</u>				
Total Investments.....	\$ 78,371,224				

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. Moody's Investors Service rated \$363,000 of government sponsored enterprise securities AAA.

The Retirement System has not adopted a formal policy related to Credit Risk. The System's investments at December 31, 2004 with credit risk exposure are rated as follows:

Ratings	Corporate Bonds	Government Sponsored Enterprises	Totals
AAA.....	\$ 1,472,416	\$ 7,642,625	9,115,041
AA.....	2,859,366	-	2,859,366
A.....	6,750,481	-	6,750,481
BBB.....	4,102,759	-	4,102,759
BB.....	576,448	-	576,448
Unrated.....	721,657	-	721,657
Fair Value.....	\$ <u>16,483,127</u>	\$ <u>7,642,625</u>	\$ <u>24,125,752</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. No more than 5 percent of the Town's investments are invested in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. No more than 5 percent of the System's investments are invested in any one issuer.

NOTE 3 – RECEIVABLES

At June 30, 2005, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,370,579	\$ -	\$ 1,370,579
Tax liens.....	470,108	-	470,108
Motor vehicle and other excise taxes.....	1,111,138	(427,095)	684,043
Departmental and other.....	430,570	(35,295)	395,275
Real estate tax deferrals.....	67,074	-	67,074
Intergovernmental.....	<u>24,456,435</u>	<u>-</u>	<u>24,456,435</u>
Total.....	\$ <u>27,905,904</u>	\$ <u>(462,390)</u>	\$ <u>27,443,514</u>

At June 30, 2005, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer user fees.....	\$ 1,774,210	\$ -	\$ 1,774,210
Water user fees.....	2,959,767	-	2,959,767
Sewer special assessments.....	6,026,371	-	6,026,371
Water special assessments.....	8,897	-	8,897
Total.....	<u>\$ 10,769,245</u>	<u>\$ -</u>	<u>\$ 10,769,245</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,277,656	\$ -	\$ 1,277,656
Tax liens.....	470,108	-	470,108
Motor vehicle and other excise.....	684,043	-	684,043
Departmental.....	393,287	-	393,287
Intergovernmental.....	22,517,703	1,542,469	24,060,172
Tax foreclosure.....	224,476	-	224,476
Total.....	<u>\$ 25,567,273</u>	<u>\$ 1,542,469</u>	<u>\$ 27,109,742</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land.....	\$ 22,699,640	\$ 787,617	\$ -	\$ 23,487,257
Construction in progress.....	<u>467,833</u>	<u>1,326,354</u>	<u>(1,100,733)</u>	<u>693,454</u>
Total capital assets not being depreciated.....	<u>23,167,473</u>	<u>2,113,971</u>	<u>(1,100,733)</u>	<u>24,180,711</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	134,407,335	1,188,463	-	135,595,798
Machinery and equipment.....	3,489,720	440,205	-	3,929,925
Land improvements.....	2,112,938	1,129,544	-	3,242,482
Infrastructure.....	29,247,035	156,331	-	29,403,366
Vehicles.....	4,775,979	644,328	-	5,420,307
Library books.....	<u>3,828,477</u>	<u>311,602</u>	<u>-</u>	<u>4,140,079</u>
Total capital assets being depreciated.....	<u>177,861,484</u>	<u>3,870,473</u>	<u>-</u>	<u>181,731,957</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(46,492,049)	(3,615,926)	-	(50,107,975)
Machinery and equipment.....	(1,695,892)	(418,262)	-	(2,114,154)
Land improvements.....	(1,068,560)	(123,731)	-	(1,192,291)
Infrastructure.....	(17,038,207)	(616,208)	-	(17,654,415)
Vehicles.....	(3,035,535)	(407,253)	-	(3,442,788)
Library books.....	<u>(2,167,107)</u>	<u>(325,663)</u>	<u>-</u>	<u>(2,492,770)</u>
Total accumulated depreciation.....	<u>(71,497,350)</u>	<u>(5,507,043)</u>	<u>-</u>	<u>(77,004,393)</u>
Total capital assets being depreciated, net.....	<u>106,364,134</u>	<u>(1,636,570)</u>	<u>-</u>	<u>104,727,564</u>
Total governmental activities capital assets, net.....	\$ <u>129,531,607</u>	\$ <u>477,401</u>	\$ <u>(1,100,733)</u>	\$ <u>128,908,275</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Business-Type Activities:				
Capital assets not being depreciated:				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,281,181	-	-	1,281,181
Machinery and equipment.....	70,363	11,754	-	82,117
Infrastructure.....	40,642,837	5,737,860	-	46,380,697
Vehicles.....	24,052	-	-	24,052
Total capital assets being depreciated.....	42,018,433	5,749,614	-	47,768,047
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(624,576)	(32,030)	-	(656,606)
Machinery and equipment.....	(1,702)	(4,243)	-	(5,945)
Infrastructure.....	(6,368,944)	(901,406)	-	(7,270,350)
Vehicles.....	(9,621)	(4,810)	-	(14,431)
Total accumulated depreciation.....	(7,004,843)	(942,489)	-	(7,947,332)
Total capital assets being depreciated, net.....	35,013,590	4,807,125	-	39,820,715
Total sewer business-type activities capital assets, net.....	\$ 35,128,720	\$ 4,807,125	\$ -	\$ 39,935,845
Water Business-Type Activities:				
Capital assets not being depreciated:				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	1,069,753	2,513,119	-	3,582,872
Total capital assets not being depreciated.....	1,335,770	2,513,119	-	3,848,889
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	40,000	-	-	40,000
Machinery and equipment.....	477,227	-	-	477,227
Infrastructure.....	69,521,706	395,255	-	69,916,961
Vehicles.....	583,779	-	-	583,779
Total capital assets being depreciated.....	70,622,712	395,255	-	71,017,967
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(37,500)	(1,000)	-	(38,500)
Machinery and equipment.....	(364,553)	(22,084)	-	(386,637)
Infrastructure.....	(33,678,743)	(1,503,776)	-	(35,182,519)
Vehicles.....	(419,194)	(47,752)	-	(466,946)
Total accumulated depreciation.....	(34,499,990)	(1,574,612)	-	(36,074,602)
Total capital assets being depreciated, net.....	36,122,722	(1,179,357)	-	34,943,365
Total water business-type activities capital assets, net.....	\$ 37,458,492	\$ 1,333,762	\$ -	\$ 38,792,254

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 330,669
Public safety.....	606,952
Education.....	2,797,228
Public works.....	912,665
Plant and facilities.....	24,594
Community development.....	742,391
Human services.....	<u>92,544</u>

Total depreciation expense - governmental activities..... \$ 5,507,043

Business-Type Activities:

Sewer.....	\$ 942,489
Water.....	<u>1,574,612</u>

Total depreciation expense - business-type activities..... \$ 2,517,101

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund		
General Fund.....	\$ -	\$ 2,097,603	\$ 250,000	\$	2,347,603 (1)
Nonmajor Governmental Funds.....	133,391	171,767	-		305,158 (2)
Sewer Enterprise Fund.....	302,417	-	-		302,417 (3)
Water Enterprise Fund.....	<u>1,138,545</u>	<u>287,590</u>	<u>-</u>		<u>1,426,135 (3)</u>
Total.....	<u>\$ 1,574,353</u>	<u>\$ 2,556,960</u>	<u>\$ 250,000</u>	<u>\$</u>	<u>4,381,313</u>

(1) Represents transfers to the employee compensation fund, Town capital project funds and water capital project funds.

(2) Represents the transfer of other available funds and other voted transfers.

(3) Represents the transfer of indirect costs to the general fund.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2005, is as follows:

Governmental Funds				Balance at	Renewed/	Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2004	Issued	Redeemed	June 30, 2005
BAN	Land acquisition.....	2.35%	12/10/04	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
BAN	Retaining wall.....	2.35%	12/10/04	400,000	-	400,000	-
BAN	Street project.....	3.50%	12/10/05	-	50,000	-	50,000
BAN	Public safety center.....	3.50%	12/10/05	-	175,000	-	175,000
BAN	Senior center plans.....	3.50%	12/10/05	-	250,000	-	250,000
Total.....				<u>\$ 1,400,000</u>	<u>\$ 475,000</u>	<u>\$ 1,400,000</u>	<u>\$ 475,000</u>

Enterprise Funds				Balance at	Renewed/	Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2004	Issued	Redeemed	June 30, 2005
BAN	Sewer project.....	2.35%	12/10/04	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN	Water mains.....	2.35%	12/10/04	2,000,000	-	2,000,000	-
BAN	Water treatment plant.....	3.50%	12/10/05	-	1,000,000	-	1,000,000
BAN	Sewer project.....	3.50%	12/10/05	-	2,000,000	-	2,000,000
BAN	Sewer project.....	2.04%	12/10/05	-	4,000,000	-	4,000,000
BAN	Sewer project.....	3.50%	12/10/05	-	1,250,000	-	1,250,000
BAN	Sewer project.....	3.50%	12/10/05	-	1,000,000	-	1,000,000
Total.....				<u>\$ 2,500,000</u>	<u>\$ 9,250,000</u>	<u>\$ 2,500,000</u>	<u>\$ 9,250,000</u>

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In order to take advantage of favorable interest rates the Town issued \$9,370,000 of General Obligation Refunding Bonds during fiscal year 2005. \$9,230,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$262,819. This advance refunding was undertaken to reduce total debt service payments over a 13 year period by \$763,760 and resulted in an economic gain of \$546,359. At June 30, 2005, approximately \$9,230,000 of bonds outstanding from the advance refunding is considered defeased.

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town's financial statements. At June 30, 2005, \$13,500,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2005, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2004	Issued	Redeemed	Outstanding at June 30, 2005
Public safety.....	2.00 - 5.00	\$ 11,471,990	\$ 600,000	\$ 867,056	\$ 11,204,934
School projects.....	2.00 - 5.72	62,292,813	6,934,613	25,045,551	44,181,875
Public works.....	2.85 - 5.24	1,271,000	400,000	476,000	1,195,000
Plant and facilities.....	3.50 - 5.00	3,687,000	-	537,500	3,149,500
Land acquisition.....	3.61 - 5.23	2,289,000	2,500,000	504,000	4,285,000
Culture and recreation.....	4.48 - 4.89	170,000	205,592	80,000	295,592
Total general obligation bonds payable.....		<u>81,181,803</u>	<u>10,640,205</u>	<u>27,510,107</u>	<u>64,311,901</u>
Old town hall.....	7.36	<u>290,000</u>	<u>-</u>	<u>290,000</u>	<u>-</u>
Total Governmental bonds payable.....		<u>\$ 81,471,803</u>	<u>\$ 10,640,205</u>	<u>\$ 27,800,107</u>	<u>\$ 64,311,901</u>

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006..... \$	12,528,935 \$	2,190,100 \$	14,719,035
2007.....	5,433,841	1,841,071	7,274,912
2008.....	5,257,287	1,656,269	6,913,556
2009.....	5,216,421	1,480,369	6,696,790
2010.....	5,145,720	1,299,725	6,445,445
2011.....	4,049,696	1,132,099	5,181,795
2012.....	4,060,001	988,226	5,048,227
2013.....	3,450,000	857,357	4,307,357
2014.....	3,330,000	734,563	4,064,563
2015.....	3,249,999	612,204	3,862,203
2016.....	3,210,000	488,577	3,698,577
2017.....	2,255,001	378,288	2,633,289
2018.....	1,595,000	294,227	1,889,227
2019.....	1,595,000	221,796	1,816,796
2020.....	1,350,000	153,914	1,503,914
2021.....	1,180,000	94,275	1,274,275
2022.....	730,000	48,931	778,931
2023.....	475,000	20,306	495,306
2024.....	125,000	6,088	131,088
2025.....	75,000	1,669	76,669
Totals..... \$	<u>64,311,901</u> \$	<u>14,500,054</u> \$	<u>78,811,955</u>

Bonds and Notes Payable Schedule – Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2004</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2005</u>
Water projects.....	2.00 - 5.61	\$ 9,437,198	\$ 2,077,249	\$ 2,775,892	\$ 8,738,555
Sewer projects.....	3.90 - 5.00	<u>20,704,000</u>	<u>2,652,546</u>	<u>2,244,000</u>	<u>21,112,546</u>
Total Enterprise bonds payable.....		<u>\$ 30,141,198</u>	<u>\$ 4,729,795</u>	<u>\$ 5,019,892</u>	<u>\$ 29,851,101</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006..... \$	2,779,066 \$	1,137,951 \$	3,917,017
2007.....	2,766,158	1,030,187	3,796,345
2008.....	2,342,713	937,288	3,280,001
2009.....	2,313,577	852,431	3,166,008
2010.....	2,189,281	772,834	2,962,115
2011.....	1,615,306	703,329	2,318,635
2012.....	1,465,000	643,897	2,108,897
2013.....	1,370,000	587,822	1,957,822
2014.....	1,250,000	536,168	1,786,168
2015.....	1,250,000	486,377	1,736,377
2016.....	1,250,000	436,017	1,686,017
2017.....	1,250,000	384,277	1,634,277
2018.....	1,250,000	330,943	1,580,943
2019.....	1,250,000	276,721	1,526,721
2020.....	1,295,000	220,850	1,515,850
2021.....	1,295,000	162,751	1,457,751
2022.....	1,295,000	103,345	1,398,345
2023.....	875,000	53,531	928,531
2024.....	625,000	19,563	644,563
2025.....	125,000	2,781	127,781
Totals..... \$	<u>29,851,101 \$</u>	<u>9,679,063 \$</u>	<u>39,530,164</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2005, approximately \$1,895,000 of such assistance was received. Approximately \$22,153,000 will be received in future fiscal years. Of this amount, approximately \$3,483,000 represents reimbursement of long-term interest costs, and approximately \$18,651,000 represents reimbursement of approved construction costs. Accordingly, an \$18,651,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In fiscal 2004, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Accordingly, the Town of Andover will now receive a lump-sum payment for the state share of school construction costs. The Town has recorded a receivable totaling approximately \$3,860,000 which is equal to the Commonwealth's share of approved construction costs totaling approximately \$3,012,000 and construction period interest totaling approximately \$848,000 incurred through June 30, 2005. In fiscal 2005 the Town received a partial payment of \$15 million that was used to pay down a school construction note payable.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2005, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 2,500,000
Landfill.....	2,200,000
Municipal buildings.....	350,000
Public safety.....	830,000
Public works.....	2,329,500
School projects.....	2,625,000
Sewer projects.....	12,250,000
Water projects.....	8,972,000
Total.....	<u>\$ 32,056,500</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2005, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 81,471,803	\$ 10,640,205	\$ (27,800,107)	\$ 64,311,901	\$ 12,528,935
Workers' Compensation.....	291,000	260,000	(142,000)	409,000	162,000
Compensated Absences.....	4,153,000	1,164,000	(1,065,000)	4,252,000	1,132,000
Landfill Closure.....	2,640,000	574,065	(134,065)	3,080,000	-
Total governmental activity long-term liabilities.....	<u>\$ 88,555,803</u>	<u>\$ 12,638,270</u>	<u>\$ (29,141,172)</u>	<u>\$ 72,052,901</u>	<u>\$ 13,822,935</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 30,141,198	\$ 4,729,795	\$ (5,019,892)	\$ 29,851,101	\$ 2,779,066
Compensated Absences.....	344,000	146,000	(109,000)	381,000	120,000
Total business-type activity long-term liabilities.....	<u>\$ 30,485,198</u>	<u>\$ 4,875,795</u>	<u>\$ (5,128,892)</u>	<u>\$ 30,232,101</u>	<u>\$ 2,899,066</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, internal service fund accrued liabilities for workers' compensation of \$409,000 is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 8 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance.

The Town participates in premium-based health care plans for its active employees and retirees, as well as being self-insured. The Town is also self-insured for its workers' compensation and unemployment compensation activities. Settlements have not exceeded coverage for each of the past three fiscal years. These self-insured activities are accounted for in the Town's internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

(a) *Health Insurance*

Health insurance claims are administered by a third party administrator and are funded on an as needed basis from the Town's internal service fund. The estimate of Incurred But Not Reported (IBNR) claims is based on a three month claims paid average. At June 30, 2005, the amount of the liability for health insurance claims totaled \$206,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2003, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2004.....	\$ 431,000	\$ 1,668,000	\$ (1,660,000)	\$ 439,000	\$ 439,000
Fiscal Year 2005.....	439,000	1,345,000	(1,578,000)	206,000	206,000

As of July 1, 2005, the Town has entered into a premium based health care plan. Under the new plan, the Town is fully insured and all future incurred liability will remain with Blue Cross Blue Shield of Massachusetts.

(b) *Workers' Compensation*

The Town participates in a Retrospective Rating Plan for which the Town employs a third party administrator. Workers' compensation claims are administered by the third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2005, the amount of the liability for workers' compensation claims totaled \$409,000. Changes in the reported liability since July 1, 2003, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2004.....	\$ 209,000	\$ 337,000	\$ (255,000)	\$ 291,000	\$ 291,000
Fiscal Year 2005.....	291,000	260,000	(142,000)	409,000	162,000

NOTE 9 - PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,997,000 for the fiscal year ended June 30, 2005, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Andover Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 36 Bartlet Street, Andover, Massachusetts 01810.

At December 31, 2004, the System's membership consists of the following:

Active members.....	748
Inactive members.....	71
Disabled members.....	38
Retirees and beneficiaries currently receiving benefits.....	<u>304</u>
Total.....	<u><u>1,161</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99%, 99% and 98%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,545,055, \$3,575,130, and \$3,472,421, respectively, which equaled its required contribution for each fiscal year. At June 30, 2005, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.5% investment rate of return and projected salary increases of 6.0% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2005, was 19 years.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/04	\$ 81,431	\$ 104,232	\$ 22,801	78.1%	\$ 29,805	76.5%
01/01/01	69,752	86,928	17,176	80.2%	24,596	69.8%
01/01/99	59,350	76,915	17,565	77.2%	21,631	81.2%
01/01/98	48,768	71,164	22,396	68.5%	20,700	108.2%
01/01/95	25,634	47,529	21,895	53.9%	14,390	152.2%
01/01/92	20,932	38,731	17,799	54.0%	14,301	124.5%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 99% of the unfunded liability.

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$3,080,000 as the estimate of the landfill closure liability at June 30, 2005, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 – COMMITMENTS

The Town of Andover, at present, has a limited number of contractual obligations. The most significant of these was a 20 year contract with Wheelabrator North Andover, Inc. (WNA) for the disposal of solid waste at WNA's waste-to-energy facility in North Andover which ended on September 25, 2005. Andover was one of twenty three communities that comprised the Northeast Solid Waste Committee (NESWC) which used the facility to dispose of their municipal solid waste. NESWC has since negotiated a "pass-through" disposal agreement for 21 of the 23 communities to allow them to continue to dispose of their municipal waste from the end of the twenty year contract through June 30, 2010. Since the facility is completely paid for now, there are no longer any debt payments to be added to the "Tip Fee" (cost to process the waste) so the actual Tip Fee that the communities will pay in the pass-through agreement will be substantially lower. The pass-through agreement also does not contain any "Guaranteed Annual Tonnage" requirements (formally know as GAT), so the communities will pay only the actual tons they deliver to the facility.

The second significant contract is the refuse collection and hauling contract with Allied Waste (formerly BFI) which is in the fourth year of a five year contract. The fiscal year 2006 cost to the Town under the Allied contract is \$808,570 and the cost for fiscal year 2007 is \$832,835.

NOTE 12 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2005, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2005.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2005, the following GASB pronouncements were implemented:

The GASB issued Statement #40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement #3*. This pronouncement required changes to the note disclosure.

The GASB issued Statement #44, *Economic Condition Reporting: The Statistical Section*, which is required to be implemented in Fiscal 2006. This new GASB establishes and modifies requirements related to supplementary information presented in a statistical section. The presentation of a statistical section is not required by this pronouncement. This pronouncement did not impact the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is required to be implemented in Fiscal 2006. Management does not believe that this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement # 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

The GASB issued Statement # 47, *Accounting for Termination Benefits*. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 80,967,706	\$ 80,967,706	\$ 80,105,811	\$ -	\$ (861,895)
Tax liens.....	-	-	378,564	-	378,564
Motor vehicle excise taxes.....	4,361,000	4,361,000	4,666,645	-	305,645
Hotel/motel tax.....	710,000	710,000	764,164	-	54,164
Penalties and interest on taxes.....	265,000	265,000	335,008	-	70,008
Licenses and permits.....	1,672,000	1,672,000	2,372,045	-	700,045
Intergovernmental.....	9,356,759	9,356,759	9,686,969	-	330,210
Departmental and other.....	2,565,410	2,565,410	2,394,985	-	(170,425)
Investment income.....	276,000	276,000	387,505	-	111,505
TOTAL REVENUES.....	100,173,875	100,173,875	101,091,696	-	917,821
EXPENDITURES:					
Current:					
General government:					
Personal services.....	1,997,921	1,989,204	1,966,504	22,700	-
Other expenses.....	1,470,327	1,228,839	1,132,639	95,446	754
TOTAL.....	3,468,248	3,218,043	3,099,143	118,146	754
Public safety:					
Personal services.....	10,881,258	10,958,043	10,864,078	90,858	3,107
Other expenses.....	1,052,702	1,052,702	970,180	75,365	7,157
TOTAL.....	11,933,960	12,010,745	11,834,258	166,223	10,264
Education:					
Personal services.....	38,206,785	38,470,415	38,164,097	306,318	-
Other expenses.....	10,839,305	10,608,955	10,381,182	227,773	-
TOTAL.....	49,046,090	49,079,370	48,545,279	534,091	-
Public works:					
Personal services.....	1,460,729	1,591,920	1,575,520	16,400	-
Other expenses.....	3,984,420	4,179,319	3,891,975	214,914	72,430
TOTAL.....	5,445,149	5,771,239	5,467,495	231,314	72,430
Plant and facilities:					
Personal services.....	2,752,275	2,731,029	2,709,407	21,600	22
Other expenses.....	2,323,427	2,174,000	1,853,223	309,571	11,206
TOTAL.....	5,075,702	4,905,029	4,562,630	331,171	11,228
Community development:					
Personal services.....	1,214,874	1,235,076	1,221,690	13,300	86
Other expenses.....	112,999	135,973	117,833	-	18,140
TOTAL.....	1,327,873	1,371,049	1,339,523	13,300	18,226
Community services:					
Personal services.....	1,217,926	1,181,926	1,169,750	11,749	427
Other expenses.....	421,933	425,336	397,966	24,898	2,472
TOTAL.....	1,639,859	1,607,262	1,567,716	36,647	2,899

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
Library:					
Personal services.....	1,791,893	1,827,893	1,806,319	21,500	74
Other expenses.....	546,870	546,870	514,952	31,878	40
TOTAL.....	2,338,763	2,374,763	2,321,271	53,378	114
Pension benefits.....	3,735,549	3,597,440	3,597,440	-	-
Property and liability insurance.....	741,000	834,889	834,889	-	-
Employee benefits.....	8,325,000	8,463,109	8,463,109	-	-
State and county charges.....	1,609,041	1,609,041	1,599,527	-	9,514
Debt service:					
Principal.....	5,744,107	5,744,107	5,744,107	-	-
Interest.....	3,009,600	3,009,599	2,944,743	7,000	57,856
TOTAL EXPENDITURES.....	103,439,941	103,595,685	101,921,130	1,491,270	183,285
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,266,066)	(3,421,810)	(829,434)	(1,491,270)	1,101,106
<u>OTHER FINANCING SOURCES (USES):</u>					
Premium from issuance of bonds.....	-	-	79,123	-	79,123
Transfers in.....	1,745,134	1,745,134	1,574,353	-	(170,781)
Transfers out.....	(1,712,000)	(2,347,603)	(2,347,603)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	33,134	(602,469)	(694,127)	-	(91,658)
NET CHANGE IN FUND BALANCE.....	(3,232,932)	(4,024,279)	(1,523,561)	(1,491,270)	1,009,448
BUDGETARY FUND BALANCE, Beginning of year.....	7,771,045	7,771,045	7,771,045	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,538,113	\$ 3,746,766	\$ 6,247,484	\$ (1,491,270)	\$ 1,009,448

See notes to required supplementary information.

(Concluded)

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Town Manager presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Board approval via Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2005 approved budget authorized approximately \$105,152,000 in appropriations and other amounts to be raised. During fiscal year 2005, the Board also approved supplemental appropriations totaling approximately \$791,000.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2005, is presented below:

Net change in fund balance - budgetary basis.....	\$ (1,523,561)
<u>Perspective difference:</u>	
Net change in recording investment in joint venture.....	(211,364)
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts.....	36,000
Net change in recording tax refunds payable.....	(33,013)
Net change in accrued expenditures.....	(16,668)
Net change in recording short-term interest accrual.....	(12,477)
Net change in recording accrued payroll.....	166,803
Recognition of revenue for on-behalf payments.....	6,997,128
Recognition of expenditures for on-behalf payments.....	<u>(6,997,128)</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>(1,594,280)</u></u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2005, there was no excess of expenditures over appropriations.

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Town Grants/Other Revolving Funds – This fund is used to account for the non-school related activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and grant funds received from state and federal governments which are designated for specific programs.

School Grants/Other Revolving Funds – This fund is used to account for the school department's revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71 and grant funds received from state and federal governments which are designated for specific programs.

Stabilization – This fund is used to account for the accumulation of resources to provide general and/or capital reserves.

School Lunch Fund – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Road/Drainage Projects – This fund is used to account for road and drainage projects other than state funded highway projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

School Projects – This fund is used to account for major school capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes state grants and other available funds.

Conservation Projects – This fund is used to account for major conservation capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

Municipal Buildings – This fund is used to account for major municipal building capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

Public Safety Projects – This fund is used to account for major public safety capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

Other Projects – This fund is used to account for smaller capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemetery – This fund is used to account for cemetery contributions and bequests in which the earnings may be expended for cemetery purposes.

Library Trust Funds – This fund is used to account for gifts, bequests and contributions in which the earnings may be expended for purposes specified by the donor in relation to library activities.

Town Welfare/Other Trust Funds – accounts for all non library and cemetery related contributions and bequests in which the earnings may be expended for purposes specified by the donor in relation to other Town activities.

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2005

<i>Special Revenue Funds</i>					
	Town Grants/ Other Revolving	School Grants/ Other Revolving	Stabilization	School Lunch	Sub-total
ASSETS					
Cash and cash equivalents.....	\$ 2,421,842	\$ 908,779	\$ -	\$ 352,251	\$ 3,682,872
Investments.....	1,814,928	-	487,476	-	2,302,404
Receivables, net of uncollectibles:					
Departmental and other.....	1,988	-	-	-	1,988
Intergovernmental.....	1,938,732	-	-	-	1,938,732
TOTAL ASSETS.....	\$ 6,177,490	\$ 908,779	\$ 487,476	\$ 352,251	\$ 7,925,996
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 426,579	\$ 1,903	\$ -	\$ -	\$ 428,482
Accrued payroll.....	30,392	59,776	-	-	90,168
Deferred revenues.....	1,542,469	-	-	-	1,542,469
Notes payable.....	-	-	-	-	-
TOTAL LIABILITIES.....	1,999,440	61,679	-	-	2,061,119
FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Unreserved:					
Special revenue funds.....	4,178,050	847,100	487,476	352,251	5,864,877
Capital projects funds.....	-	-	-	-	-
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	4,178,050	847,100	487,476	352,251	5,864,877
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 6,177,490	\$ 908,779	\$ 487,476	\$ 352,251	\$ 7,925,996

Capital Project Funds						
Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Public Safety	Other	Sub-total
\$ 1,831,963	\$ 167,418	\$ 568,476	\$ 844,375	\$ 110,118	\$ 650,499	\$ 4,172,849
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,831,963</u>	<u>\$ 167,418</u>	<u>\$ 568,476</u>	<u>\$ 844,375</u>	<u>\$ 110,118</u>	<u>\$ 650,499</u>	<u>\$ 4,172,849</u>
\$ 66,816	\$ 12,018	\$ 6,750	\$ 9,063	\$ 3,645	\$ 80,390	\$ 178,682
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	250,000	175,000	50,000	475,000
<u>66,816</u>	<u>12,018</u>	<u>6,750</u>	<u>259,063</u>	<u>178,645</u>	<u>130,390</u>	<u>653,682</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,765,147	155,400	561,726	585,312	(68,527)	520,109	3,519,167
-	-	-	-	-	-	-
<u>1,765,147</u>	<u>155,400</u>	<u>561,726</u>	<u>585,312</u>	<u>(68,527)</u>	<u>520,109</u>	<u>3,519,167</u>
<u>\$ 1,831,963</u>	<u>\$ 167,418</u>	<u>\$ 568,476</u>	<u>\$ 844,375</u>	<u>\$ 110,118</u>	<u>\$ 650,499</u>	<u>\$ 4,172,849</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2005

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
ASSETS					
Cash and cash equivalents.....	\$ 796,232	\$ 174	\$ 380,420	\$ 1,176,826	\$ 9,032,547
Investments.....	65,359	60,792	154,482	280,633	2,583,037
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	1,988
Intergovernmental.....	-	-	-	-	1,938,732
TOTAL ASSETS.....	\$ 861,591	\$ 60,966	\$ 534,902	\$ 1,457,459	\$ 13,556,304
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ -	\$ -	\$ -	\$ -	\$ 607,164
Accrued payroll.....	-	-	-	-	90,168
Deferred revenues.....	-	-	-	-	1,542,469
Notes payable.....	-	-	-	-	475,000
TOTAL LIABILITIES.....	-	-	-	-	2,714,801
FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	853,249	7,119	386,629	1,246,997	1,246,997
Unreserved:					
Special revenue funds.....	-	-	-	-	5,864,877
Capital projects funds.....	-	-	-	-	3,519,167
Permanent funds.....	8,342	53,847	148,273	210,462	210,462
TOTAL FUND BALANCES.....	861,591	60,966	534,902	1,457,459	10,841,503
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 861,591	\$ 60,966	\$ 534,902	\$ 1,457,459	\$ 13,556,304

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

<i>Special Revenue Funds</i>					
	Town Grants/ Other Revolving	School Grants/ Other Revolving	Stabilization	School Lunch	Sub-total
REVENUES:					
Intergovernmental.....	\$ 1,386,319	\$ 3,046,506	\$ -	\$ 140,877	\$ 4,573,702
Departmental and other.....	3,931,351	776,511	-	978,064	5,685,926
Contributions.....	19,348	-	-	-	19,348
Investment income.....	30,198	-	8,588	-	38,786
TOTAL REVENUES.....	5,367,216	3,823,017	8,588	1,118,941	10,317,762
EXPENDITURES:					
Current:					
General government.....	161,674	-	-	-	161,674
Public safety.....	1,791,402	21,695	-	-	1,813,097
Education.....	922,426	3,821,335	-	1,051,260	5,795,021
Public works.....	1,012,770	-	-	-	1,012,770
Plant and facilities.....	63,986	-	-	-	63,986
Community development.....	89,180	-	-	-	89,180
Human services.....	630,302	-	-	-	630,302
Library.....	134,535	-	-	-	134,535
Employee benefits.....	269,537	-	-	-	269,537
Capital outlay.....	-	-	-	-	-
TOTAL EXPENDITURES.....	5,075,812	3,843,030	-	1,051,260	9,970,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	291,404	(20,013)	8,588	67,681	347,660
OTHER FINANCING SOURCES (USES):					
Issuance of bonds and notes.....	-	-	-	-	-
Transfers in.....	329,591	-	-	-	329,591
Transfers out.....	(227,938)	-	-	-	(227,938)
TOTAL OTHER FINANCING SOURCES (USES).....	101,653	-	-	-	101,653
NET CHANGE IN FUND BALANCES.....	393,057	(20,013)	8,588	67,681	449,313
FUND BALANCES AT BEGINNING OF YEAR.....	3,784,993	867,113	478,888	284,570	5,415,564
FUND BALANCES AT END OF YEAR.....	\$ 4,178,050	\$ 847,100	\$ 487,476	\$ 352,251	\$ 5,864,877

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
REVENUES:					
Intergovernmental.....	\$ -	\$ -	\$ -	\$ -	\$ 4,573,702
Departmental and other.....	-	-	-	-	5,685,926
Contributions.....	40,320	2,119	-	42,439	61,787
Investment income.....	10,344	(1,067)	2,177	11,454	50,240
TOTAL REVENUES.....	50,664	1,052	2,177	53,893	10,371,655
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	161,674
Public safety.....	-	-	-	-	1,813,097
Education.....	-	-	-	-	5,795,021
Public works.....	57,765	-	-	57,765	1,204,600
Plant and facilities.....	-	-	-	-	63,986
Community development.....	-	-	-	-	89,180
Human services.....	-	-	983	983	631,285
Library.....	15	1,233	-	1,248	135,783
Employee benefits.....	-	-	-	-	269,537
Capital outlay.....	-	-	-	-	5,275,759
TOTAL EXPENDITURES.....	57,780	1,233	983	59,996	15,439,922
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(7,116)	(181)	1,194	(6,103)	(5,068,267)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds and notes.....	-	-	-	-	3,500,000
Transfers in.....	357,370	-	-	357,370	2,556,960
Transfers out.....	-	-	-	-	(305,158)
TOTAL OTHER FINANCING SOURCES (USES).....	357,370	-	-	357,370	5,751,802
NET CHANGE IN FUND BALANCES.....	350,254	(181)	1,194	351,267	683,535
FUND BALANCES AT BEGINNING OF YEAR.....	511,337	61,147	533,708	1,106,192	10,157,968
FUND BALANCES AT END OF YEAR.....	\$ 861,591	\$ 60,966	\$ 534,902	\$ 1,457,459	\$ 10,841,503

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Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Building Insurance Fund – This fund is used to account for the accumulation of costs associated with property and liability insurance.

Unemployment Compensation Fund – This fund is used to account for the accumulation of costs, and employee contributions associated with unemployment compensation.

Health Insurance Fund – This fund is used to account for the accumulation of costs, and employer and employee contributions associated with health insurance.

Worker's Compensation Fund – This fund is used to account for the accumulation of costs, and employer contributions associated with worker's compensation.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Building Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 219,693	\$ 209,721	\$ 156,763	\$ 81,775	\$ 667,952
Working capital deposit.....	<u>-</u>	<u>-</u>	<u>292,900</u>	<u>-</u>	<u>292,900</u>
TOTAL ASSETS.....	<u>219,693</u>	<u>209,721</u>	<u>449,663</u>	<u>81,775</u>	<u>960,852</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	-	-	1,899	-	1,899
Health claims payable.....	-	-	206,000	-	206,000
Workers' compensation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,000</u>	<u>162,000</u>
Total current liabilities.....	<u>-</u>	<u>-</u>	<u>207,899</u>	<u>162,000</u>	<u>369,899</u>
NONCURRENT:					
Workers' compensation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,000</u>	<u>247,000</u>
TOTAL LIABILITIES.....	<u>-</u>	<u>-</u>	<u>207,899</u>	<u>409,000</u>	<u>616,899</u>
NET ASSETS					
Unrestricted.....	<u>\$ 219,693</u>	<u>\$ 209,721</u>	<u>\$ 241,764</u>	<u>\$ (327,225)</u>	<u>\$ 343,953</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Building Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<u>OPERATING REVENUES:</u>					
Employee contributions	\$ -	\$ -	\$ 2,820,221	\$ -	\$ 2,820,221
Employer contributions	-	-	8,325,000	203,441	8,528,441
TOTAL OPERATING REVENUES	-	-	11,145,221	203,441	11,348,662
<u>OPERATING EXPENSES:</u>					
Employee benefits	-	60,346	10,893,260	259,794	11,213,400
OPERATING INCOME (LOSS).....	-	(60,346)	251,961	(56,353)	135,262
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Investment income.....	4,609	4,572	9,287	-	18,468
CHANGE IN NET ASSETS.....	4,609	(55,774)	261,248	(56,353)	153,730
NET ASSETS AT BEGINNING OF YEAR.....	215,084	265,495	(19,484)	(270,872)	190,223
NET ASSETS AT END OF YEAR.....	\$ 219,693	\$ 209,721	\$ 241,764	\$ (327,225)	\$ 343,953

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2005

	Building Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ -	\$ -	\$ 2,820,220	\$ -	\$ 2,820,220
Receipts from interfund services provided.....	-	-	8,325,000	203,442	8,528,442
Payments to employees.....	-	-	(46,420)	-	(46,420)
Payments for interfund services used.....	-	(60,346)	(10,994,440)	(141,795)	(11,196,581)
NET CASH FROM OPERATING ACTIVITIES.....	-	(60,346)	104,360	61,647	105,661
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	4,609	4,572	9,287	-	18,468
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	4,609	(55,774)	113,647	61,647	124,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	215,084	265,495	43,116	20,128	543,823
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 219,693	\$ 209,721	\$ 156,763	\$ 81,775	\$ 667,952
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ -	\$ (60,346)	\$ 251,961	\$ (56,353)	\$ 135,262
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Working capital deposit.....	-	-	83,500	-	83,500
Warrants payable.....	-	-	1,899	-	1,899
Health claims payable.....	-	-	(233,000)	-	(233,000)
Workers' compensation.....	-	-	-	118,000	118,000
Total adjustments.....	-	-	(147,601)	118,000	(29,601)
NET CASH FROM OPERATING ACTIVITIES.....	\$ -	\$ (60,346)	\$ 104,360	\$ 61,647	\$ 105,661

Agency Fund

This fund is primarily used to account for contactors security deposits, local church deposits, and receipts and disbursements on behalf of the Merrimack Valley Library Consortium.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2005

	Agency Accounts July 1, 2004		Additions		Deletions		Agency Accounts June 30, 2005
ASSETS							
Cash and cash equivalents.....	\$ 378,206	\$	260,720	\$	(262,074)	\$	376,852
Investments.....	20,950		-		(3,115)		17,835
TOTAL ASSETS.....	<u>\$ 399,156</u>	<u>\$</u>	<u>260,720</u>	<u>\$</u>	<u>(265,189)</u>	<u>\$</u>	<u>394,687</u>
LIABILITIES							
Guarantee deposits.....	\$ 51,140	\$	153	\$	-	\$	51,293
Other deposits.....	16,174		99		(5,189)		11,084
Merrimack Valley Library Consortium.....	331,842		260,468		(260,000)		332,310
TOTAL LIABILITIES.....	<u>\$ 399,156</u>	<u>\$</u>	<u>260,720</u>	<u>\$</u>	<u>(265,189)</u>	<u>\$</u>	<u>394,687</u>

Statistical Section



Conservation Land



Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets By Component

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt.....	\$ 73,686,298	\$ 89,679,889	\$ 91,145,822
Restricted.....	5,219,961	3,638,030	4,426,387
Unrestricted.....	<u>10,133,275</u>	<u>12,351,114</u>	<u>9,873,633</u>
Total governmental activities net assets.....	<u>\$ 89,039,534</u>	<u>\$ 105,669,033</u>	<u>\$ 105,445,842</u>
Business-type activities			
Invested in capital assets, net of related debt.....	43,348,130	46,387,305	46,027,798
Unrestricted.....	<u>12,903,877</u>	<u>10,528,648</u>	<u>13,264,116</u>
Total business-type activities net assets.....	<u>\$ 56,252,007</u>	<u>\$ 56,915,953</u>	<u>\$ 59,291,914</u>
Primary government			
Invested in capital assets, net of related debt.....	117,034,428	136,067,194	137,173,620
Restricted.....	5,219,961	3,638,030	4,426,387
Unrestricted.....	<u>23,037,152</u>	<u>22,879,762</u>	<u>23,137,749</u>
Total primary government net assets.....	<u>\$ 145,291,541</u>	<u>\$ 162,584,986</u>	<u>\$ 164,737,756</u>

Changes in Net Assets

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government.....	\$ 4,028,722	\$ 4,470,303	\$ 4,173,335
Public safety.....	16,426,508	16,675,121	17,246,901
Education.....	64,137,646	66,088,775	71,312,657
Public works.....	8,434,701	7,768,193	9,038,654
Plant and facilities.....	6,298,425	6,595,195	5,663,229
Community development.....	1,654,816	1,786,677	1,766,512
Community services.....	2,671,671	2,693,214	2,695,721
Library.....	3,125,588	3,447,297	3,326,096
Interest.....	3,228,511	2,953,651	3,028,040
State and county charges.....	1,363,260	1,370,609	1,599,527
Total government activities expenses.....	111,369,848	113,849,035	119,850,672
Business-type activities:			
Water.....	4,938,649	5,180,484	5,279,568
Sewer.....	2,850,949	3,114,483	3,418,402
Total primary government expenses.....	\$ 119,159,446	\$ 122,144,002	\$ 128,548,642
Program Revenues			
Governmental activities:			
Public safety charges for services.....	\$ 3,307,838	\$ 3,601,991	\$ 5,047,096
Education charges for services.....	2,435,502	2,631,861	3,221,619
Other charges for services.....	1,969,503	2,232,896	2,217,961
Education operating grants and contributions.....	13,649,175	14,287,070	16,723,671
Other operating grants and contributions.....	2,124,490	1,701,550	1,592,768
Education capital grant and contributions.....	-	17,800,725	211,662
Public works capital grant and contributions.....	674,243	1,022,245	601,504
Total government activities program revenues.....	24,160,751	43,278,338	29,616,281
Business-type activities:			
Water charges for services.....	6,146,648	5,466,703	5,948,163
Sewer charges for services.....	6,579,923	4,540,893	6,473,071
Other capital grant and contributions.....	-	21,495	85,272
Total business-type activities program revenues.....	12,726,571	10,029,091	12,506,506
Total primary government program revenues.....	\$ 36,887,322	\$ 53,307,429	\$ 42,122,787
Net (Expense)/Program Revenue			
Governmental activities.....	\$ (87,209,097)	\$ (70,570,697)	\$ (90,234,391)
Business-type activities.....	4,936,973	1,734,124	3,808,536
Total primary government net (expense)/program revenue.....	\$ (82,272,124)	\$ (68,836,573)	\$ (86,425,855)
General Revenues and other Changes in Net Assets			
Governmental activities:			
Real estate and personal property taxes, net of tax refunds payable.....	\$ 74,916,769	\$ 78,018,623	\$ 80,128,940
Tax liens.....	217,181	156,432	169,769
Motor vehicle excise taxes.....	4,761,307	4,449,959	4,695,077
Hotel/motel tax.....	862,883	709,595	777,164
Penalties and interest on taxes.....	721,105	265,747	335,008
Grants and contributions not restricted to specific programs.....	1,845,728	1,704,378	1,857,933
Unrestricted investment income.....	368,581	369,542	493,590
Miscellaneous.....	267,683	400,871	75,167
Transfers.....	1,189,862	1,125,049	1,478,552
Total governmental activities.....	85,151,099	87,200,196	90,011,200
Business-type activities:			
Unrestricted investment income.....	99,828	54,871	45,977
Transfers.....	(1,189,862)	(1,125,049)	(1,478,552)
Total primary government general revenues and other changes in net assets.....	\$ 84,061,065	\$ 86,130,018	\$ 88,578,625
Changes in Net Assets			
Governmental activities.....	\$ (2,057,998)	\$ 16,629,499	\$ (223,191)
Business-type activities.....	3,846,939	663,946	2,375,961
Total primary government changes in net assets.....	\$ 1,788,941	\$ 17,293,445	\$ 2,152,770

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund										
Reserved.....	\$ 1,891,483	\$ 2,341,239	\$ 2,383,540	\$ 2,633,488	\$ 2,442,090	\$ 2,216,572	\$ 3,151,400	\$ 2,914,009	\$ 2,278,232	\$ 1,436,861
Unreserved.....	<u>3,704,103</u>	<u>6,543,266</u>	<u>8,311,606</u>	<u>8,211,845</u>	<u>9,315,244</u>	<u>9,901,651</u>	<u>10,309,240</u>	<u>10,891,580</u>	<u>8,500,140</u>	<u>7,747,231</u>
Total general fund.....	<u>\$ 5,595,586</u>	<u>\$ 8,884,505</u>	<u>\$ 10,695,146</u>	<u>\$ 10,845,333</u>	<u>\$ 11,757,334</u>	<u>\$ 12,118,223</u>	<u>\$ 13,460,640</u>	<u>\$ 13,805,589</u>	<u>\$ 10,778,372</u>	<u>\$ 9,184,092</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,821	\$ 692,942	\$ 1,246,997
Unreserved, reported in:										
Special revenue funds.....	748,869	846,450	1,045,265	1,058,654	1,696,011	1,856,036	2,131,629	4,519,551	5,415,564	5,864,877
Capital projects funds.....	(586,046)	5,837,640	1,212,752	9,780,296	9,648,929	7,829,724	(10,724,512)	5,978,934	3,636,212	3,519,167
Permanent funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,273</u>	<u>413,250</u>	<u>210,462</u>
Total all other governmental funds.....	<u>\$ 162,823</u>	<u>\$ 6,684,090</u>	<u>\$ 2,258,017</u>	<u>\$ 10,838,950</u>	<u>\$ 11,344,940</u>	<u>\$ 9,685,760</u>	<u>\$ (8,592,883)</u>	<u>\$ 11,662,579</u>	<u>\$ 10,157,968</u>	<u>\$ 10,841,503</u>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 49,421,580	\$ 51,776,693	\$ 54,322,655	\$ 57,536,860	\$ 61,312,434	\$ 63,880,049	\$ 69,135,669	\$ 74,726,196	\$ 77,761,654	\$ 80,108,798
Motor vehicle and other excise taxes.....	3,252,804	3,844,208	4,737,031	4,491,905	4,739,915	5,435,383	5,419,022	5,429,993	5,074,722	5,430,809
Intergovernmental.....	6,759,374	7,963,216	10,239,788	10,974,118	16,872,914	18,576,239	18,664,283	19,337,587	19,645,202	36,257,799
Departmental and other.....	4,475,653	5,757,209	5,707,816	6,517,786	6,155,666	7,441,550	7,201,620	9,156,513	9,358,532	11,228,315
Interest income.....	674,246	748,005	855,975	943,410	1,126,103	1,473,335	1,126,066	403,057	466,366	437,745
Total Revenue.....	64,583,657	70,089,331	75,863,265	80,464,079	90,207,032	96,806,556	101,546,660	109,053,346	112,306,476	133,463,466
Expenditures:										
General government.....	2,128,480	2,257,736	2,629,887	2,256,257	2,591,165	2,957,168	2,600,064	3,096,437	3,433,588	3,311,006
Public safety.....	8,103,855	9,439,692	10,095,964	9,719,895	10,790,875	11,737,349	12,033,824	13,128,148	13,515,766	13,597,144
Education.....	29,079,178	30,823,873	33,239,888	36,097,112	39,102,141	42,421,926	46,399,812	51,048,622	51,455,597	54,347,628
Public works.....	6,277,762	4,450,726	4,401,181	5,975,977	4,877,578	6,735,312	5,426,850	6,280,433	6,966,509	6,856,259
Plant and facilities.....	3,683,609	4,203,920	4,061,623	4,943,928	4,983,004	5,772,848	5,826,345	5,608,033	5,869,539	4,608,092
Community development.....	833,042	1,003,926	1,145,463	1,133,077	1,098,615	1,347,435	1,331,536	1,357,957	1,475,760	1,419,416
Community services.....	857,952	1,085,583	1,535,125	1,756,881	1,830,790	2,118,012	2,162,665	2,261,837	2,305,595	2,186,935
Library.....	1,721,766	1,735,197	2,076,086	1,991,490	1,984,867	2,464,018	2,477,328	2,328,796	2,553,941	2,431,694
Pension benefits.....	2,330,311	2,719,316	2,770,950	3,051,170	8,275,761	8,686,244	8,522,848	8,854,044	9,537,132	10,594,568
Property and liability insurance.....	637,199	437,588	498,265	496,049	593,513	527,958	541,800	504,963	795,879	834,889
Employee benefits.....	3,252,470	3,325,000	3,659,596	3,625,000	3,589,016	3,735,311	4,229,172	6,139,400	7,625,000	8,732,646
State and county charges.....	1,023,997	985,692	1,015,466	982,643	980,904	1,094,215	1,227,461	1,363,260	1,370,609	1,599,527
Capital outlay.....	21,960,736	9,602,800	10,140,588	5,455,156	5,848,367	13,039,205	38,702,914	9,373,665	6,059,724	5,275,759
Debt service:										
Principal.....	4,450,000	3,041,900	3,851,900	3,909,900	4,459,800	4,006,500	4,627,000	5,188,000	5,728,420	20,744,107
Interest.....	2,702,817	2,628,923	2,523,900	2,578,026	2,464,463	2,623,005	2,955,606	3,346,096	2,987,294	2,957,220
Total Expenditures.....	89,043,174	77,741,872	83,645,882	83,972,561	93,470,859	109,266,506	139,065,225	119,879,691	121,680,353	139,496,890
Excess of revenues over (under) expenditures.....	(24,459,517)	(7,652,541)	(7,782,617)	(3,508,482)	(3,263,827)	(12,459,950)	(37,518,565)	(10,826,345)	(9,373,877)	(6,033,424)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	15,610,000	15,500,000	4,200,000	11,230,000	4,375,000	9,675,000	19,208,000	28,938,000	3,717,000	3,500,000
Issuance of refunding bonds.....	-	-	-	-	-	-	-	13,496,223	-	7,140,205
Premium from issuance of bonds.....	-	-	-	-	-	-	-	599,313	-	79,123
Premium of issuance of refunding bonds.....	-	-	-	-	-	-	-	220,554	-	158,596
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	-	(13,583,218)	-	(7,233,797)
Transfers in.....	3,298,724	1,279,405	2,512,610	3,967,559	2,618,378	3,268,235	2,559,956	3,588,523	2,011,841	4,131,313
Transfers out.....	(573,545)	(190,806)	(1,545,425)	(2,957,957)	(2,311,560)	(1,781,576)	(1,185,620)	(2,398,661)	(886,792)	(2,652,761)
Total other financing sources (uses).....	18,335,179	16,588,599	5,167,185	12,239,602	4,681,818	11,161,659	20,582,336	30,860,734	4,842,049	5,122,679
Net change in fund balance.....	\$ (6,124,338)	\$ 8,936,058	\$ (2,615,432)	\$ 8,731,120	\$ 1,417,991	\$ (1,298,291)	\$ (16,936,229)	\$ 20,034,389	\$ (4,531,828)	\$ (910,745)
Debt service as a percentage of noncapital expenditures	10.66%	8.32%	8.67%	8.26%	7.90%	6.89%	7.56%	7.72%	7.54% (a)	7.30%

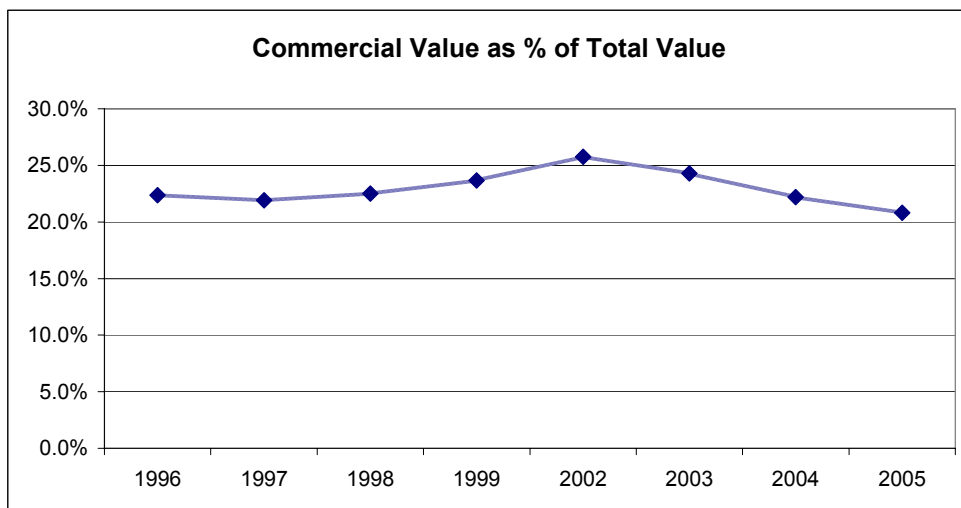
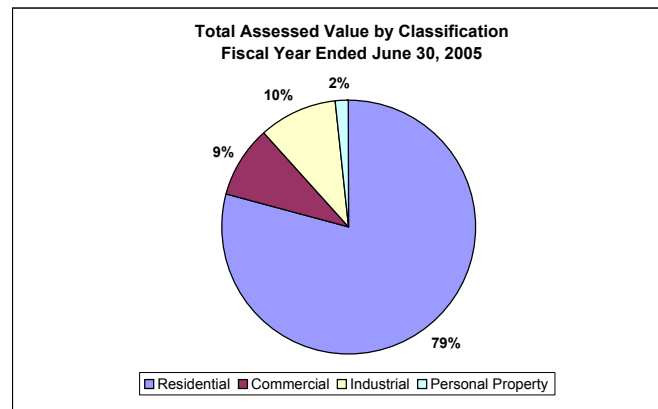
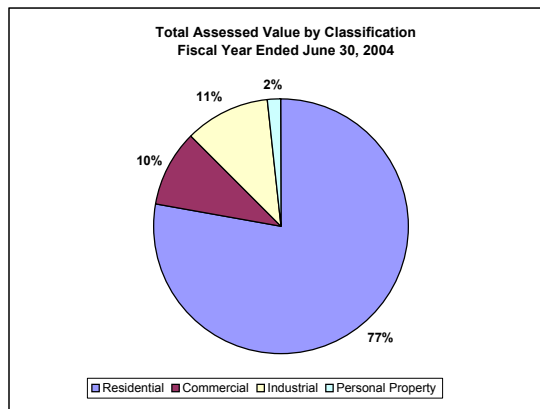
Notes:

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.
In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates							
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Town Value
1996	\$ 2,155,918,524	\$ 16.41	\$ 228,304,421	\$ 340,759,300	\$ 52,269,560	\$ 621,333,281	\$ 23.99	\$ 2,777,251,805
1997 (1)	\$ 2,414,608,127	\$ 15.48	\$ 274,642,365	\$ 343,990,300	\$ 58,689,120	\$ 677,321,785	\$ 22.57	\$ 3,091,929,912
1998	\$ 2,445,616,947	\$ 15.82	\$ 307,371,500	\$ 338,097,400	\$ 65,035,210	\$ 710,504,110	\$ 22.90	\$ 3,156,121,057
1999	\$ 2,651,239,012	\$ 15.17	\$ 377,843,715	\$ 376,258,800	\$ 67,487,130	\$ 821,589,645	\$ 21.74	\$ 3,472,828,657
2000 (1)	\$ 2,937,428,052	\$ 14.65	\$ 421,300,980	\$ 434,895,300	\$ 73,976,860	\$ 930,173,140	\$ 20.11	\$ 3,867,601,192
2001	\$ 2,975,444,502	\$ 14.92	\$ 440,880,123	\$ 471,708,200	\$ 84,876,150	\$ 997,464,473	\$ 20.59	\$ 3,972,908,975
2002	\$ 3,337,867,183	\$ 14.13	\$ 515,652,738	\$ 549,008,500	\$ 93,565,960	\$ 1,158,227,198	\$ 19.57	\$ 4,496,094,381
2003 (1)	\$ 4,476,720,701	\$ 11.63	\$ 641,178,403	\$ 685,192,600	\$ 110,559,980	\$ 1,436,930,983	\$ 16.54	\$ 5,913,651,684
2004	\$ 4,755,952,886	\$ 11.47	\$ 586,983,115	\$ 663,066,600	\$ 107,565,301	\$ 1,357,615,016	\$ 18.13	\$ 6,113,567,902
2005	\$ 5,029,579,646	\$ 11.51	\$ 575,889,705	\$ 635,749,200	\$ 109,324,908	\$ 1,320,963,813	\$ 18.00	\$ 6,350,543,459



(1) Revaluation year.

Source: Assessor's Department, Town of Andover

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers

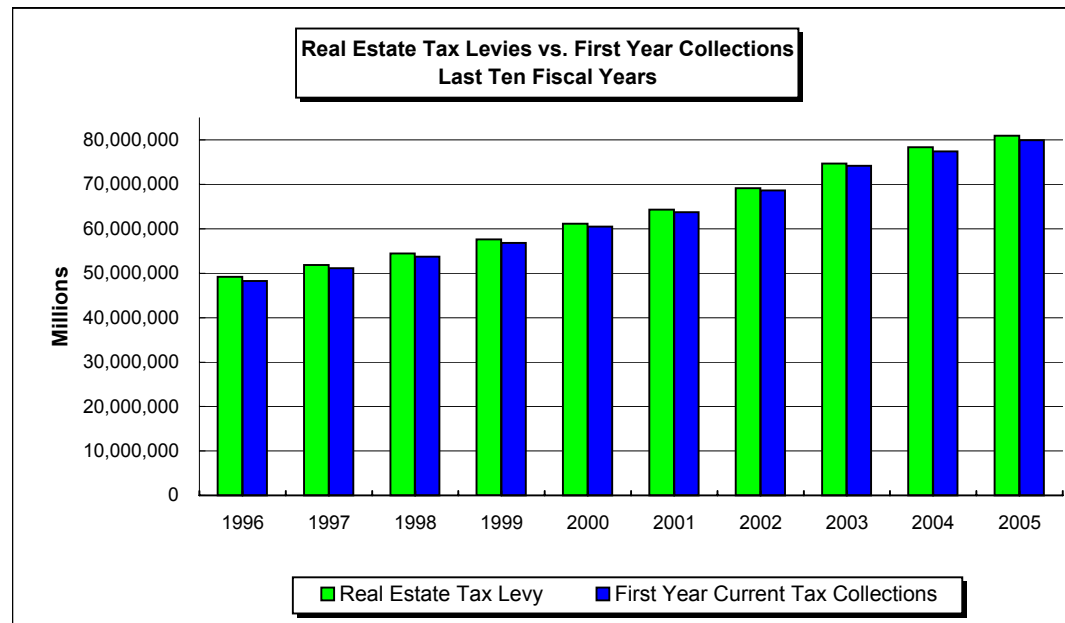
Current Year and Nine Years Ago

Name	Nature of Business	2005			1996		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Genetics Institute	Industrial	\$ 100,429,515	1	1.58%	\$ 2,175,200	7	0.08%
Andover Mills Realty LTD	Commercial	\$ 80,145,300	2	1.26%	\$ 51,353,900	2	1.85%
Raytheon	Industrial	\$ 74,286,843	3	1.17%	\$ 68,813,100	1	2.48%
Philips Electro North American (Agilent) (Hewlett Packard)	Industrial	\$ 59,887,800	4	0.94%	\$ 36,554,200	3	1.32%
BCIA New England Holdings	Office/Industrial	\$ 53,953,300	5	0.85%	\$ -	-	-
Andover Park Realty Trust	Industrial	\$ 39,228,300	6	0.62%	\$ -	-	-
Lincoln Park LLC (Putnam Investments)	Commercial	\$ 38,397,941	7	0.60%	\$ -	-	-
Gillette Company	Industrial	\$ 35,851,941	8	0.56%	\$ 21,869,000	5	0.79%
Eisai Research Institute	Office/Industrial	\$ 34,885,827	9	0.55%	\$ -	-	-
New England Business Center	Office/Industrial	\$ 33,992,700	10	0.54%	\$ -	-	-
Digital Equipment Corp	Industrial	\$ -	-	-	\$ 35,963,160	4	1.29%
Connecticut General Life Insurance	Commercial	\$ -	-	-	\$ 21,564,000	6	0.78%
New England Tel & Tel	Utility	\$ -	-	-	\$ 18,972,100	8	0.68%
MA Electric	Utility	\$ -	-	-	\$ 25,597,100	9	0.92%
CA Investment Trust	Residential/Commercial	\$ -	-	-	\$ 19,834,900	10	0.71%
Totals		<u>\$551,059,467</u>		<u>8.68%</u>	<u>\$302,696,660</u>		<u>10.90%</u>

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1996		\$ 50,284,408	\$ 1,068,768	\$ 49,215,640	\$ 48,273,169	98.09%	\$ 941,270	\$ 49,214,439	100.00%
1997	(1)	\$ 52,665,286	\$ 779,207	\$ 51,886,079	\$ 51,157,695	98.60%	\$ 728,384	\$ 51,886,079	100.00%
1998		\$ 54,960,204	\$ 515,184	\$ 54,445,020	\$ 53,733,126	98.69%	\$ 702,539	\$ 54,435,665	99.98%
1999		\$ 58,081,474	\$ 480,809	\$ 57,600,665	\$ 56,806,965	98.62%	\$ 794,015	\$ 57,600,980	100.00%
2000	(1)	\$ 61,739,103	\$ 565,027	\$ 61,174,076	\$ 60,478,995	98.86%	\$ 695,185	\$ 61,174,180	100.00%
2001		\$ 64,931,425	\$ 612,404	\$ 64,319,021	\$ 63,769,348	99.15%	\$ 544,039	\$ 64,313,387	99.99%
2002		\$ 69,830,570	\$ 660,007	\$ 69,170,563	\$ 68,631,635	99.22%	\$ 509,729	\$ 69,141,364	99.96%
2003	(1)	\$ 75,831,100	\$ 1,148,137	\$ 74,682,963	\$ 74,224,742	99.39%	\$ 359,678	\$ 74,584,420	99.87%
2004		\$ 79,164,340	\$ 770,110	\$ 78,394,230	\$ 77,461,156	98.81%	\$ 208,870	\$ 77,670,026	99.08%
2005		\$ 81,667,810	\$ 700,105	\$ 80,967,705	\$ 79,932,648	98.72%	\$ -	\$ 79,932,648	98.72%



(1) Revaluation year.

(2) Includes tax liens.

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	29,846	\$ 1,132,350,361	\$ 2,777,251,805	\$ 30,848,000	\$ -	\$ 1,034	2.72%	1.11%
1997	29,074	\$ 1,125,572,305	\$ 3,091,929,912	\$ 43,313,100	\$ -	\$ 1,490	3.85%	1.40%
1998	30,226	\$ 1,194,051,930	\$ 3,156,121,057	\$ 42,461,200	\$ -	\$ 1,405	3.56%	1.35%
1999	29,846	\$ 1,203,102,408	\$ 3,472,828,657	\$ 46,901,300	\$ -	\$ 1,571	3.90%	1.35%
2000	30,251	\$ 1,244,314,383	\$ 3,867,601,192	\$ 46,226,500	\$ -	\$ 1,528	3.72%	1.20%
2001	30,251	\$ 1,269,200,671	\$ 3,972,908,975	\$ 53,150,000	\$ -	\$ 1,757	4.19%	1.34%
2002	30,695	\$ 1,313,585,563	\$ 4,496,094,381	\$ 58,421,000	\$ -	\$ 1,903	4.45%	1.30%
2003	29,994	\$ 1,309,258,156	\$ 5,913,651,684	\$ 83,483,223	\$ -	\$ 2,783	6.38%	1.41%
2004	29,843	\$ 1,328,720,243	\$ 6,113,567,902	\$ 81,471,803	\$ -	\$ 2,730	6.13%	1.33%
2005	29,843	\$ 1,355,294,648	\$ 6,350,543,459	\$ 64,311,901	\$ -	\$ 2,155	4.75%	1.01%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	\$17,317,000	\$ -	\$48,165,000	\$1,614	4.25%	1.73%
1997	\$16,246,900	\$ -	\$59,560,000	\$2,049	5.29%	1.93%
1998	\$16,223,800	\$ -	\$58,685,000	\$1,942	4.91%	1.86%
1999	\$17,788,700	\$ -	\$64,690,000	\$2,167	5.38%	1.86%
2000	\$16,818,500	\$ -	\$63,045,000	\$2,084	5.07%	1.63%
2001	\$14,315,000	\$ -	\$67,465,000	\$2,230	5.32%	1.70%
2002	\$21,142,000	\$ -	\$79,563,000	\$2,592	6.06%	1.77%
2003	\$23,514,777	\$ -	\$106,998,000	\$3,567	8.17%	1.81%
2004	\$30,141,198	\$ -	\$111,613,001	\$3,740	8.40%	1.83%
2005	\$29,851,101	\$ -	\$94,163,002	\$3,155	6.95%	1.48%

(1) Water and Sewer Funds

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2005

<u>Town of Andover, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Greater Lawrence Regional Vocational Technical School District.....	\$ 42,290,000	0.80%	\$ 338,320
Greater Lawrence Sanitary District.....	13,115,665	6.40%	<u>839,403</u>
Subtotal, overlapping debt.....			<u>1,177,723</u>
Town direct debt.....			<u>94,163,002</u>
Total direct and overlapping debt.....			<u>\$ 95,340,725</u>

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Equalized Valuation.....	\$ 3,072,063,800	\$ 3,072,063,800	\$ 3,523,811,700	\$ 3,523,811,700	\$ 4,268,662,500	\$ 4,268,662,500	\$ 5,589,664,700	\$ 5,589,664,700	\$ 6,525,840,900	\$ 6,525,840,900
Debt Limit -5% of Equalized Valuation.....	\$ 153,603,190	\$ 153,603,190	\$ 176,190,585	\$ 176,190,585	\$ 213,433,125	\$ 213,433,125	\$ 279,483,235	\$ 279,483,235	\$ 326,292,045	\$ 326,292,045
Less:										
Outstanding debt applicable to limit.....	\$ 13,769,750	\$ 13,039,000	\$ 13,203,250	\$ 48,620,150	\$ 47,151,500	\$ 9,480,000	\$ 21,382,000	\$ 23,569,776	\$ 59,463,803	\$ 59,455,259
Authorized and unissued debt.....	\$ 23,167,552	\$ 11,857,552	\$ 14,027,552	\$ 49,143,552	\$ 84,546,552	\$ 78,655,552	\$ 66,732,052	\$ 59,612,052	\$ 48,127,052	\$ 38,994,500
Legal debt margin.....	<u>\$ 116,665,888</u>	<u>\$ 128,706,638</u>	<u>\$ 148,959,783</u>	<u>\$ 78,426,883</u>	<u>\$ 81,735,073</u>	<u>\$ 125,297,573</u>	<u>\$ 191,369,183</u>	<u>\$ 196,301,407</u>	<u>\$ 218,701,190</u>	<u>\$ 227,842,286</u>
Total debt applicable to the limit as a percentage of debt limit.....	24.05%	16.21%	15.46%	55.49%	61.70%	41.29%	31.53%	29.76%	32.97%	30.17%

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age
1996	29,846	\$ 1,132,350,361	\$ 37,940	n/a
1997	29,074	\$ 1,125,572,305	\$ 38,714	n/a
1998	30,226	\$ 1,194,051,930	\$ 39,504	n/a
1999	29,846	\$ 1,203,102,408	\$ 40,310	n/a
2000	30,251	\$ 1,244,314,383	\$ 41,133	39.5
2001	30,251	\$ 1,269,200,671	\$ 41,956	39.5
2002	30,695	\$ 1,313,585,563	\$ 42,795	39.5
2003	29,994	\$ 1,309,258,156	\$ 43,651	39.5
2004	29,843	\$ 1,328,720,243	\$ 44,524	39.5
2005	29,843	\$ 1,355,294,648	\$ 45,414	39.5

Source: U. S. Census, Division of Local Services
Median age is based on most recent census data
N/A Information not available.

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2005			1996		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	3,700	1	12%	4,800	1	17%
Internal Revenue Service (1)	Regional Service Center	2,340	2	7%	1,800	3	6%
Philips Electronics (formerly Agilent/formerly Hewlett Packard)	Medical Electronics	2,200	3	7%	2,200	2	8%
Putnam Investments	Mutual Funds	1,800	4	6%	-	-	0%
Vicor	Computer Equipment	1,650	5	5%	-	-	0%
Wyeth BioParma (formerly Genetics Institute)	Biotechnology Research & Manufacturing	1,400	6	4%	700	7	3%
Phillips Academy (2)	Private School	1,186	7	4%	600	10	2%
Verizon (formerly Nynex)	Communications	905	8	3%	700	8	3%
Compaq (formerly Digital)	Computer Equipment	720	9	2%	720	5	-
Navisite	Internet Service Provider	600	10	2%	-	-	-
PictureTel Corporation	Communications	-	-	-	1,250	4	4%
Dynamics Research Corporation	Manufacture Industrial Measurement Systems	-	-	-	700	6	3%
Gillette Company	Personal Care Products	-	-	-	605	9	2%

Source: Massachusetts Department of Employment and Training

Full-Time Equivalent Town Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General government.....	45	48	48	50	50	54	56	56	54	53
Public Safety.....	131	133	133	135	140	143	148	149	145	145
Education.....	521	522	576	615	650	669	694	738	691	724
Public works/Plant and facilities.....	92	95	99	99	100	104	110	110	105	105
Community services.....	9	10	11	12	12	13	14	14	13	13
Library.....	37	37	38	39	39	41	41	40	38	38
Total	<u>837</u>	<u>844</u>	<u>904</u>	<u>949</u>	<u>992</u>	<u>1,024</u>	<u>1,062</u>	<u>1,106</u>	<u>1,047</u>	<u>1,077</u>

Source: Various Town Departments

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	Calendar Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Government										
Population.....	30,941	29,846	29,074	30,226	29,846	30,251	30,251	30,695	29,994	29,843
Registered Voters, Annual Town Election.....	18,408	19,413	19,029	19,287	18,733	19,874	19,853	19,237	18,725	20,220
Town Clerk										
Births.....	303	333	341	345	327	328	345	345	283	269
Marriages.....	156	187	189	174	177	187	142	163	106	169
Deaths.....	233	258	251	258	261	277	234	296	244	247
Dogs licensed.....	2,178	2,022	2,204	2,041	2,147	2,321	2,238	2,260	2,292	2,272
Fishing & Hunting Licenses.....	630	566	630	560	454	379	424	416	375	296
Business Certificates.....	n/a	106	126	112	148	115	113	130	167	177
New Voter Registrations.....	n/a	3,428	991	1,689	1,348	2,398	794	1,603	1,044	2,611
Passport Applications.....	n/a	n/a	n/a	n/a	n/a	n/a	62	1,361	1,163	1,200
Public Safety										
Police										
Documented calls for police services.....	22,378	25,501	30,873	28,066	39,492	38,696	37,126	32,050	31,245	32,245
Arrests.....	471	392	404	448	848	738	499	450	450	400
Domestic Abuse.....	29	36	29	25	41	39	37	25	35	26
Vandalism.....	223	227	213	237	192	188	301	255	215	214
Larceny.....	619	607	427	465	424	337	490	425	380	345
Assaults.....	97	58	77	60	56	58	73	67	53	33
Breaking & Entering.....	134	121	91	83	95	71	60	51	65	47
Motor Vehicle accidents.....	1,219	1,318	1,225	1,351	1,243	1,184	1,163	1,307	1,177	1,087
Parking tickets issued.....	10,349	10,000	8,000	6,500	8,775	14,000	10,250	11,125	12,000	13,900
Total number of animal complaints.....	1,472	1,372	1,155	n/a	942	1,131	914	941	822	780
Fire										
Incidents										
Fires.....	233	239	293	245	445	420	768	637	1,098	1,028
EMS Calls.....	2,008	2,105	2,009	2,022	2,427	2,770	2,610	2,571	3,094	2,514
Motor Vehicle Accidents.....	n/a	n/a	168	181	249	283	321	156	284	253
Hazardous Conditions.....	n/a	n/a	n/a	n/a	n/a	n/a	25	96	130	109
False Alarms & False Calls.....	161	180	70	195	191	230	345	490	747	744
Miscellaneous Alarms.....	53	174	140	278	404	528	528	450	529	303
Good Intent Calls.....	n/a	860	907	243	175	180	106	171	140	117
Mutual Aid (Fire Calls).....	30	58	25	19	35	20	47	14	17	21
Ambulance Mutual Aid Calls.....	313	227	171	174	155	61	53	40	57	50
Fire Prevention Activities.....	2,062	1,767	1,757	1,864	2,040	2,343	2,224	2,030	2,204	2,135
Service Calls.....	n/a	n/a	12	428	1,501	2,265	2,958	2,597	2,460	2,231
Training.....	n/a	n/a	21	45	180	144	177	126	138	232
Co-Activation.....	n/a	n/a	n/a	n/a	48	45	45	36	34	25
Permits/certificates issued										
Smoke Detectors.....	599	665	666	764	716	725	602	679	814	840
Report Copies.....	38	67	68	61	77	72	85	64	66	82
Blasting Permits.....	8	8	14	16	17	7	16	76	51	68
Cutting/Welding Permits.....	30	17	28	15	13	15	13	21	22	24
Dumpster Permits.....	59	111	117	69	72	58	80	100	127	143

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	Calendar Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Fireworks Display Permits.....	1	1	2	1	1	1	1	1	2	1
Gunpowder Storage Permits.....	-	-	-	1	-	-	1	-	1	3
Liquid Gas Storage Permits.....	34	39	53	52	69	57	63	71	86	53
Flammable Liquid Storage Permits.....	-	3	2	4	1	6	5	6	6	2
Miscellaneous Permits.....	8	3	2	1	5	2	2	3	4	2
Open Air Burning Permits.....	549	523	791	679	613	571	612	234	513	487
Oil Burner Install Permits.....	147	117	154	166	159	112	138	104	108	138
Commercial Fire Alarm Systems.....	14	9	1	28	47	28	69	35	63	78
Special Suppression System Permits.....	1	1	-	5	12	6	10	10	7	2
Sprinkler Install Permits.....	41	39	64	58	76	62	73	45	64	52
Underground Tank Re-certification.....	4	3	4	16	10	-	9	10	9	11
Underground Tank Removals.....	75	107	72	99	74	57	67	49	45	53
Master Fire Alarm Boxes.....	125	129	132	138	133	137	144	156	150	8
Building Department Permits issued.....	1,475	1,228	1,178	1,170	1,208	1,211	1,143	1,114	1,334	1,483
Education Public school enrollment.....	5,465	5,501	5,628	5,698	5,785	5,875	5,886	5,963	5,925	6,000
Public Works Cemetery Lots sold.....	105	197	105	n/a	117	94	108	62	76	53
Interments/cremations.....	91	90	92	84	92	101	101	62	46	57
Community Services Board of Health Plan reviews.....	152	267	312	287	168	147	159	175	210	206
Inspections Restaurant	211	160	290	232	203	224	142	85	110	93
Environmental/Sanitary Code.....	n/a	n/a	n/a	n/a	n/a	n/a	175	210	167	185
Complaints investigated.....	208	193	283	245	147	185	494	224	250	309
Administrative Hearings.....	3	2	2	6	3	7	4	3	6	14
Court Actions.....	5	3	2	4	3	5	2	1	5	12
Council on Aging Home delivered meals served.....	14,680	13,072	13,092	20,000	20,500	24,500	22,500	25,000	25,000	26,000
Medical-van trips.....	n/a	500	550	1,100	1,300	1,200	1,300	1,350	1,875	1,750
Libraries Program attendance.....	n/a	n/a	n/a	11,171	20,078	13,616	9,060	14,941	13,798	8,000
Books & Periodicals.....	398,460	372,954	405,865	393,952	379,296	355,000	350,000	355,000	350,000	345,000
PC & Internet Use.....	n/a	2,079	7,742	10,343	19,500	30,000	35,900	45,000	52,500	52,500
Reference Questions.....	35,488	39,122	43,834	40,327	67,500	60,000	55,000	54,900	54,900	56,000
Non-Print Circulation.....	91,743	95,486	104,361	113,368	136,000	150,000	165,000	175,000	190,000	175,000
Water Daily consumption (in million gallons).....	5.741	4.941	5.093	5.004	6.510	5.760	6.510	6.540	5.940	6.030
Sewer Service connections.....	4,878	4,922	5,062	5,062	5,062	5,293	5,654	5,680	5,850	5,850
Source: Various Town Departments N/A Information not available	(Concluded)									

Capital Asset Statistics by Function/Program

Last Ten Calendar Years

Function/Program	Calendar Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Number of Buildings.....	14	14	14	14	14	14	14	16	16	16
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	5	5	5	5	5	5	5	6	6	6
Number of middle schools.....	2	2	2	2	2	2	2	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	235	235	235	235	235	235
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Sanitary sewers (miles).....	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	146
Storm sewers (miles).....	80	80	80	80	80	80	80	80	80	80
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	14	14	14	14	14
Parks.....	4	4	4	4	4	4	4	4	4	4
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage.....	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	29	29	29	29	29	29	29	31	31	31
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various Town Departments
N/A Information not available

Computation of Levy Capacity & Unused Levy Capacity

Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Levy Limit.....	\$ 50,995,944	\$ 53,646,150	\$ 55,826,738	\$ 58,922,638	\$ 62,075,279	\$ 65,892,530	\$ 71,123,231	\$ 75,831,251	\$ 79,165,092	\$ 82,285,046
Previous Levy.....	\$ 46,692,905	\$ 48,799,944	\$ 51,163,668	\$ 53,948,756	\$ 57,141,225	\$ 60,382,095	\$ 63,948,257	\$ 68,287,439	\$ 72,287,345	\$ 75,252,414
Legal Increase.....	\$ 1,167,323	\$ 1,219,999	\$ 1,279,092	\$ 1,348,719	\$ 1,428,531	\$ 1,509,552	\$ 1,598,706	\$ 1,707,186	\$ 1,807,184	\$ 1,881,310
New Growth.....	\$ 939,716	\$ 1,143,725	\$ 1,505,996	\$ 1,843,750	\$ 1,812,339	\$ 2,056,610	\$ 2,740,476	\$ 2,292,720	\$ 1,157,885	\$ 1,815,876
Debt Exclusion.....	\$ 2,196,000	\$ 2,482,482	\$ 1,877,982	\$ 1,781,413	\$ 1,693,184	\$ 1,944,273	\$ 2,835,792	\$ 3,543,906	\$ 3,912,678	\$ 3,335,446
Operating Exclusion.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maximum Taxing Capacity....	<u>\$ 50,995,944</u>	<u>\$ 53,646,150</u>	<u>\$ 55,826,738</u>	<u>\$ 58,922,638</u>	<u>\$ 62,075,279</u>	<u>\$ 65,892,530</u>	<u>\$ 71,123,231</u>	<u>\$ 75,831,251</u>	<u>\$ 79,165,092</u>	<u>\$ 82,285,046</u>
Actual Levy.....	\$ 50,284,408	\$ 52,665,286	\$ 54,960,204	\$ 58,081,474	\$ 61,739,103	\$ 64,931,425	\$ 69,830,570	\$ 75,831,100	\$ 79,164,340	\$ 81,667,810
Unused Levy Capacity.....	\$ 711,536	\$ 980,864	\$ 866,534	\$ 841,164	\$ 336,176	\$ 961,105	\$ 1,292,661	\$ 151	\$ 752	\$ 617,236